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*Jeffrey L. Saks*

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Afghanistan	100 Dz.	Iceland	1,240 Dkr.
Algeria	195 Dz.	India	1,100 Lrs.
Angola	100 Dz.	Iran	450 Frs.
Bahrain	40 Bf.	Italy	100 Lire.
Bangladesh	500 Dz.	Kuwait	50,100 D.
Barbados	1,575 Dz.	Lebanon	4,500 Lira.
Belarus	100 Dz.	Lesotho	100 Rands.
Belgium	40 Bf.	Malta	100 Lira.
Bolivia	100 Dz.	Morocco	500 Frs.
Bosnia-Herzegovina	100 Dz.	Niger	100 Francs.
Bulgaria	100 Dz.	Pakistan	100 Rupees.
Cambodia	100 Dz.	Papua New Guinea	100 Kina.
Canada	1,575 Dz.	Russia	100 Rubles.
Cyprus	1,700 Dz.	Saudi Arabia	100 Dhs.
Croatia	100 Dz.	Singapore	100 Pros.
Cuba	100 Dz.	Sri Lanka	100 Rupees.
Cyprus	1,700 Dz.	Tunisia	1,000 Dhs.
Czechoslovakia	100 Dz.	U.S.A.	100 Dollars.
Denmark	25 Dk.	U.S.S.R.	100 Rubles.
Egypt	100 Dz.	Venezuela	100 Bolivars.
Finland	4,000 Fm.	Yemen	100 Rials.
France	5,500 F.	Zambia	1,000 Dz.
Greece	2,300 Dr.	Zimbabwe	1,000 Dz.
Honduras	500 Dz.		
Great Britain	100 P.		
Hungary	20 D.		
Iceland	100 Dz.		
Iraq	115 Dz.		
Ireland	1,240 Dkr.		
Israel	1,240 N.		
Italy	1,100 L.		
Jordan	450 Fr.		
Kuwait	50,100 D.		
Lebanon	4,500 Lira.		
Lesotho	100 Rands.		
Malta	100 Lira.		
Morocco	500 Frs.		
Niger	100 Francs.		
Pakistan	100 Rupees.		
Saudi Arabia	100 Dhs.		
Singapore	100 Kina.		
Sri Lanka	100 Rupees.		
Tunisia	1,000 Dhs.		
U.S.A.	100 Dollars.		
U.S.S.R.	100 Rubles.		
Venezuela	100 Bolivars.		
Zambia	1,000 Dz.		
Zimbabwe	1,000 Dz.		

ESTABLISHED 1887

## Mondale Spells Out Plan to Cut Deficit, Challenges Reagan

The Associated Press

PHILADELPHIA — Walter F. Mondale spelled out Monday his plan to reduce the federal deficit and, challenging President Ronald Reagan to do the same, said: "You can't hide your red ink with any more blue smoke and mirrors."

Mr. Mondale's plan would bring the deficit down to \$86 billion by 1989, in comparison with a deficit for the current fiscal year that the administration is estimating at \$174 billion.

The Mondale plan calls for \$85 billion in tax increases, with all the new revenue earmarked for cutting the deficit. It also includes net spending reductions of \$75 billion and an estimated \$17 billion in revenue from anticipated economic growth.

On the spending side, the largest item of savings is \$31 billion in reduced interest on the deficit. Mr. Mondale also proposed savings of \$2 billion in military spending and \$12 billion in health expenditures.

"Mr. Reagan's deficit has brought him a temporary, unbalanced, election-year recovery — and a happy talk campaign," Mr. Mondale said in a statement. "The price will be a postelection catastrophe for us and our children."

"I challenge Mr. Reagan to stop avoiding the deficit issue and start telling you what he intends to do about it. Mr. Reagan, all my cards are on the table — face up. Americans are calling your hand."

Mr. Mondale said his own budget would follow the principle of pay-as-you-go. "There will be no new spending without an earmarked new source of revenue," he said.

(Continued on Page 2, Col. 4)

He has also pledged to streamline the Defense Department's weapons procurement program.

Cuts in federal expenditures for health care would be achieved mainly by a broad cost-control plan to lower doctors' fees for both federal and state medical assistance programs.

Federal farm spending would be reduced through better management of commodity price support programs, Mr. Mondale has said.

Mr. Reagan, asked for his reac-

(Continued on Page 2, Col. 4)

tion, said: "We need a well-prepared meeting" that offers a chance of making progress. Otherwise, a meeting might not simply be useless but could conceivably cause damage, he said.

Marshal Sergei F. Akhromeyev, whose surprise appointment as chief of staff of the Soviet armed forces was announced Thursday, said with a smile that his assignment was "just a regular change" in the top ranks of the armed forces.

Mr. Akhromeyev succeeded Marshal Nikolai V. Ogarkov, who had served as armed forces chief of staff since 1977.

Mr. Korniyenko was asked whether he thought it would be a good idea for Mr. Reagan and Mr. Gromyko to meet.

"Meetings of statesmen are always useful in cases where there is no convergence of views," he said.

"Asked whether the Soviet president, Konstantin U. Chernenko, would accept Mr. Reagan's proposal to meet, Mr. Korniyenko re-

"I believe that you are not quite correct in saying that President Reagan expressed a desire to meet. He always added that a meeting should be well prepared. And we share, in this case, the opinion of the president."

"I can tell you only one thing," Marshal Akhromeyev said: "Konstantin Chernenko is working. He carries out his functions. And I can add nothing to that."

"Asked why Mr. Chernenko had been out of public view for an extended period, the marshal replied:

"Comrade Chernenko was on leave and we stated that. After his rest, he decorated our cosmonauts and he is working now."



## Moscow Indicates Gromyko Is Willing To Meet With Reagan After UN Visit

The Associated Press

WASHINGTON — A senior Soviet official said Monday that Foreign Minister Andrei A. Gromyko would be willing to meet with President Ronald Reagan in conjunction with the Soviet official's trip to the United States this month for the opening of the United Nations General Assembly session.

"In the past there was a tradition that Mr. Gromyko, while on a visit to New York, also visited Washington for a discussion with the president," said Georgy M. Korniyenko, Soviet first deputy foreign minister, in an interview from Moscow on NBC television.

"This tradition was violated in recent years, not through our

fault," he said. "And if this time they think it proper in Washington to return to that practice, then I believe that there will be no difficulties on our part."

At the White House, the press spokesman, Larry Speakes, said that Secretary of State George P. Shultz would meet with Mr. Gromyko at the United Nations and that President Reagan "may or may not meet with other leaders who are visiting the United Nations."

Mr. Speakes said no Reagan-Gromyko meeting was now scheduled but that "the president thinks a high-level dialogue is a way to resolve differences and move forward in U.S.-Soviet relations."

Mr. Gromyko met in October 1978 with Secretary of State Cyrus R. Vance and then with President Jimmy Carter.

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## Palestinian Major Killed As Israel Launches Raid On Camp East of Beirut

Reuters

**BEIRUT** — A Palestinian major was killed and three other guerrillas were wounded when Israeli planes attacked a camp in mountains east of Beirut, a spokesman for the dissident wing of the Palestine Liberation Organization's el-Fatah group said Monday.

Security forces said Israeli planes were still flying over the area Monday after the attack Sunday night.

The guerrilla spokesman said in

### Communist Party Formed In Ethiopia

Reuters

**ADDIS ABABA**, Ethiopia — Lieutenant Colonel Mengistu Haile Mariam, who has led Ethiopia since the overthrow of its feudal monarchy 10 years ago this week, was elected Monday head of the country's newly established Communist Party.

Colonel Mengistu was elected secretary-general of the Workers Party of Ethiopia, which was formally established Monday following a five-day founding congress.

Six other members of the ruling Provisional Military Administrative Council also were elected to posts in the new party, which will have a Soviet-style Politburo, Central Committee and Presidium.

It was not clear if the ruling council, which has governed Ethiopia since the 1974 revolution that deposed Emperor Haile Selassie, will automatically be dissolved or when a national assembly will be established. Colonel Mengistu has said he views the founding of the party as a first step to a Marxist-Leninist political democracy.

Total party membership was not known. Moves to establish a political party formally began in 1979 when Colonel Mengistu created the now-dissolved Commission for Organizing a Party of the Working People of Ethiopia.

The changes coincide with celebrations marking the 10th anniversary of the Sept. 12 revolution, which ended 50 years of feudal rule during which political activity was banned.

Colonel Mengistu and his supporters have since steered this country of an estimated 33 million people on a firmly pro-Soviet course and Ethiopia is considered one of Moscow's closest allies in Africa.

**Ustinov to Watch Maneuvers**

The Associated Press

**MOSCOW** — The Soviet defense minister, Dmitry F. Ustinov, left Monday for Czechoslovakia to observe exercises by Warsaw Pact troops, the official press agency Tass reported.

### Visiting New York City? Gramercy Park Hotel

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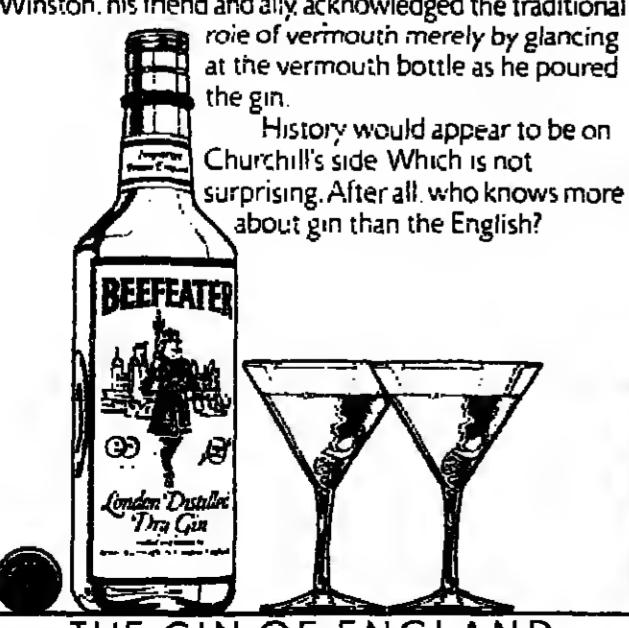
### ROOSEVELT AND CHURCHILL: A TALE OF TWO MARTINIS.

Concerning affairs of state, these two great statesmen were frequently of a single mind.

But the mixing of dry martinis, there was a parting of the ways.

FDR enjoyed his dry martini in the then traditional manner two parts gin to one part vermouth. Sir Winston, his friend and ally acknowledged the traditional role of vermouth merely by glancing at the vermouth bottle as he poured the gin.

History would appear to be on Churchill's side. Which is not surprising. After all, who knows more about gin than the English?



MARONED — Flood victims stranded in the village of Ban Muen Srinol, in the Si Sa Ket province of

eastern Thailand, waved to a passing relief unit to attract attention. They were evacuated soon afterward.

## British Mine Leader Rejects Proposal For Contract Vote by Full Membership

The Associated Press

**EDINBURGH** — A mine union leader rejected Monday the possibility of a vote by the union's membership on a settlement offer to end Britain's six-month coal strike.

Arthur Scargill, leader of the National Union of Mineworkers, insisted that a vote would be taken by a conference of delegates representing the 183,000 miners rather than by the individual members.

Mr. Scargill resumed negotiations Monday with Ian MacGregor, chairman of the state-owned National Coal Board.

Union leaders refused to discuss the talks, which are their second day, the only comment came from

James Cowan, the coal board's deputy chairman, who said things were going "moderately well."

Mr. Scargill angrily dismissed a report in the Daily Mirror that the union had agreed to put the board's final offer to a vote. The paper's owner, Robert Maxwell, helped arrange the negotiations.

The union's leadership called the strike without a vote of the membership, a move that split the miners. Moderates refused to strike without a vote and have kept one-quarter of the nation's 175 mines open despite picketing.

The Daily Mirror said a vote would give rank-and-file miners the opportunity to express their views.

Mr. Scargill, however, said any offer from the coal board would be voted on by delegates from the mining regions and not by the membership. He said, "Any settlement at any time will be determined by the special delegate conference that decided to put the overtime ban and strike action in effect."

The coal board, which loses around £1 billion (\$1.27 billion) a year, wants to close 20 money-losing mines, end 20,000 jobs, and concentrate on more profitable pits.

The union says it makes no sense to close mines when Britain depends on coal for 82 percent of its electricity.

A national dock strike called

Aug. 24 to support the miners' picket up momentum Monday.

The Port Employers' Association said the walkout had idled 46 percent of Britain's sea trade, 7 percent more than at the end of last week. An 11-day strike in July paralyzed three-fourths of the nation's sea trade.

In addition to the longshoremen, there are about 20,000 other dock workers, such as tugboatmen and crane operators, most of whom are still working.

Britain's biggest passenger port, Dover, and its major container port, Felixstowe, were operating normally. But four of the nation's major ports, including Liverpool and Southampton, remained closed.

Earlier, striking miners scuffled with police outside a mine near Selby in Yorkshire as two miners went to work. Several miners, including the local union secretary, received minor injuries, police reported. Police said 10 pickets were arrested.

Elsewhere, a threatened rail and subway strike in the London area on Wednesday was called off by the National Union of Railways for four weeks.

Jimmy Knapp, general secretary of the rail union, said union leaders wanted time to allow discussions and test-state-owned British Rail's "sincerity" concerning plans to streamline their operations.

## Mondale Spells Out Plan To Trim Federal Deficit

(Continued from Page 1)

tion during a photo session at the White House, said the Mondale plan was "nothing new."

Asked whether he would present his own deficit-control plan, Mr. Reagan said, "I think I've said it more specifically than most other administrations in all the things we've been trying to do since 1981."

Lyn Nofziger, a political consultant to Mr. Reagan, denounced the Mondale plan as "a recovery-killing concoction which is ready-made to produce a recession that will throw millions of Americans out of work again, pile new and higher taxes on the backs of the average citizen and make deficits higher, not lower."

Regarding Mr. Mondale's proposal for a deficit-reduction trust fund, into which all revenues from the new tax increases would go, Mr. Nofziger said: "This is not a trust fund; it's a 'trust-me' fund." It introduced the concept of double taxation: one tax to reduce the deficit; that Mondale helped to create and another tax which he will impose to pay for his promises. This is nothing more than the old-time religion for Walter Mondale — more promises, bigger spending and higher taxes."

Mr. Mondale has pledged in the past to cut deficits by two-thirds by the end of 1988.

But estimates of future deficits vary greatly, depending on predictions of economic growth and the level of interest rates.

The Congressional Budget Office predicts a budget deficit of \$238 billion by 1988; the Reagan administration says the deficit for that year would be \$176 billion.

Administration aides say the difference is that they predict interest rates of around 5.1 percent, whereas the budget office figure is based on a 9-percent rate.

**Mondale Plans to Skip Humphrey Ceremony**

United Press International

**WASHINGTON** — The Democratic presidential nominee, Walter F. Mondale, and his running mate, Representative Geraldine A. Ferraro, have declined an invitation by President Ronald Reagan to attend the White House ceremonies Tuesday honoring Senator Hubert H. Humphrey.

A spokesman said Mr. Mondale was scheduled to be in Chicago and Ms. Ferraro in Toledo, Ohio, on Tuesday. Mr. Mondale's wife, Joan, was to attend the ceremony at which Mr. Reagan will present a congressional gold medal to Mr. Humphrey's widow, Muriel Humphrey Brown.

The February visit of Richard R. Burt, assistant secretary of state for European affairs, whose discussions in East Germany, as well as parallel talks in Bulgaria and Hungary on the same trip, reportedly centered on arms control.

• The May visit of Mr. Burt's deputy assistant secretary, Thomas M.T. Niles.

• The visit in January of Daniel G. Amstutz, undersecretary of agriculture for international affairs, who declared East Germany a good credit risk and said private lenders in the United States would be encouraged to underwrite an increase in U.S. agricultural exports to that country.

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**Sunken French Ship**

A gale Monday broke into two parts containing radioactive cargo, the ship prepared, according to the news service.

have been trying to retrieve the ship's hull, fearing that the storm, with waves from the hull, would be breached, sending an oil slick about 10 miles (16 kilometers) off the Belgian coast after oil-Louis sank Aug. 25 on a sand bank.

**Prior in Ulster Post**

Margaret Thatcher, the British prime minister, Monday, to replace James Prior as secretary of state at the Foreign Office in the first half of 1985, and was switched to a ministerial post. Conservative were re-elected in June 6 on Mrs. Thatcher when Mr. Prior, 56, wanted to quit. He was unable to agree on power-sharing between Ulster's Protestants,

**Hospital: Surgery Possible**

Former Israeli Prime Minister Menachem Begin Monday for treatment of a personal ailment, adding that a decision soon whether surgery would be necessary.

was in good spirits. Reporters for some time prime minister has been a virtual office in September 1983.

the private trouble was that he had a small gland that surrounded the urethra in the bladder. In order to fix it, he took the flow.

**Arrest 67 in Hyderabad**

Troops arrested 67 people Monday in the southern city of Hyderabad, officials reported nine deaths, 15 injuries, and 400 Madras Pradesh, the south India, in the town of Sembhavai after last stem-Hundi clashes.

Paramilitary troops and police arrested members of an anti-government rally. They had been used to prevent government said militant members of the protest.

**Leader Rebuffs Party**

Zealand (LDP) — Prime Minister Douglas would not implement a referendum of the ruling Labor Party's policies with nuclear power, and would have resulted in the LDP's loss of its parliamentary alliance with the Liberal Party. It is not the declared policy of the party to make a unilateral withdrawal.

spokesman and New Zealand's foreign minister by nuclear-powered aircraft States seen as threatening the peace.

**Democrats Bar Mergers**

Leaders of Britain's Social Democratic Party with their ally, the smaller party, the Labour Party, said, "Speaker" Shirley Williams, who was satisfied a merger. "We are not," said Mr. Williams, "but we are in the process of merging." "I have no wish to be forced or pressured into it."

**Talks on Cyprus**

The New York Times reported that Cyprus' president, Spyros Kyprianou, was leaving the situation was "dire" and predictions of the Greek Cypriot leader were to be Secretary-General of the talks. President Ronald Reagan met with Raoul Moat, the president of the Republic of Cyprus, on Sept. 10.

of 4 - 400,000 and Turkey's two Cypriot leaders.



**GUESS WHO** — Pottery mugs of Ronald Reagan are being made at the Royal Doulton factory in Burslem, England. They will be sold in the United States to benefit the James S. Brady Presidential Foundation, formed to pay expenses for the president's press secretary. He was wounded during the 1981 attempt on Mr. Reagan's life.

## Some Democrats in Congress Shying From a Ride on Mondale's Coattails

By Hedrick Smith  
New York Times Service

**WASHINGTON** — The beginning of the presidential campaign has caused some congressional Democrats to worry out loud that Walter F. Mondale may drag their campaigns down and has given Republican strategists new hope of restoring the legislative coalition that gave President Ronald Reagan his most important victories in 1981.

Representative Thomas P. O'Neill Jr., Democrat of Massachusetts and speaker of the House, indicated last week that there was nervousness among House Democrats about a Republican landslide when he called on Mr. Mondale to "come out slugging" against the president.

"Members are worried that if it's going to be a 20-point loss, I'm going down, too," said one well-placed Democratic congressional strategist. "I think the presidential race will be very close," Mr. O'Neill said, with the result that the congressional map will not change significantly. "The worst we'll do is a five-seat loss, and the best we'll do is a five-to-seven-seat gain."

Nonetheless, Mr. O'Neill conceded that this year some congressional Democrats were panicking because of what they saw as "a rocky start" to the Mondale campaign and because of the published by the Los Angeles Times showing Mr. Mondale 27 percentage points behind Mr. Reagan.

Aides to Speaker O'Neill said that a number of Democratic members of the House had come back from the August recess reporting strong support for Mr. Reagan in their districts and worried that Republican challengers might ride his coattails into office, as in 1980, unless Mr. Mondale put up a stronger fight.

"People try to deny that there are presidential coattails, but that's nonsense," said an aide to Mr. O'Neill.

But Republican leaders such as Senator Richard G. Lugar of Indiana

and New Jersey's Bob Dole

are not worried.

There is a pride fit for Rep-

gaa," said Representative Guy Vander Jagt of Michigan, chairman of the National Republican Congressional Committee, while traveling through the Southeast and Texas. "Our campaigns are better organized than just two weeks ago and there's a better feeling because of Reagan. Getting back the 26 House seats we lost in 1982 is well within our grasp."

In the Senate, where Democrats talked last spring of taking control from the Republicans, who now hold 55 seats to the Democrats' 45, most Democratic strategists have lowered their expectations, although they still contend they will pick up two or three seats.

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## U.S. Sees Resistance, Administrative Headaches in Revamping Education

By Edward B. Fiske  
*New York Times Service*

**NEW YORK** — As the new school year begins, educators in the United States are engaged in a widespread attempt to improve U.S. public education.

But the magnitude of the task ahead, and resistance to the imposition of new policies, is tempering the excitement of such a project.

The Education Commission of the States, which monitors education legislation, calculates that at least 40 states have increased the number of academic courses required for a high school diploma, while 32 have changed curriculum standards or adopted new procedures for choosing textbooks.

Two dozen states have lengthened the school day or year, while 42 have moved to improve the training or raise the certification standards of new teachers.

"It's an exciting and hopeful

time," said Diane Ravitch, an education historian at Teachers College, part of Columbia University.

"It is one of those rare periods of heightened public interest when the political process is focusing on academic expectations."

But educational leaders recognize the administrative complexity involved in enforcing the thousands of new laws and policies aimed at promoting excellence in education.

"We have so many reforms on the platter that we may have digested," the secretary of education, Terrel H. Bell, said last week. "We face the biggest test of educational leadership, administrative competence and school diplomacy in our history."

Educational policy-makers are also beginning to confront what Chester E. Finn Jr., a professor of education and public policy at Vanderbilt University in Nashville,

Tennessee, has termed the "excellence backlash."

Members of local school boards have begun to complain that many of the curriculum requirements and other new standards have been enacted "from the top down." The extent of the new regulations, coupled with increased state financing of teacher salaries, they say, has seriously eroded the principle of local control of public schools.

In addition, governors and other political leaders, as well as the business leaders who backed them, now face the challenge of persuading teachers, principals and other educators to carry out policies that were to a large extent enacted without their participation and, in some cases, over their fervent opposition.

"Educators have been the missing element," said Mr. Bell, who encouraged President Ronald Reagan to make the quality of education a major political issue. "A lot

of people were saying that educators were the problem. They had their chance, and they didn't fix the schools, so the legislatures had to step in and do something and then tell the educators to shape up."

The movement to improve the quality of public education has affected every state. Chris Riphio, of the Education Commission of the States, estimates that at least 24 state-level commissions and study groups have offered suggestions on how to improve schools.

Such efforts were boosted in May 1983 when the National Commission on Excellence in Education, appointed by Mr. Bell, issued a report called "A Nation at Risk" citing a "rising tide of mediocrity" in U.S. public schools and calling for reforms ranging from extra pay for superior teachers to more instruction in the use of computers.

The content of elementary and high school curriculums has been a focus for reformers. Pennsylvania, for example, has established new state curriculum objectives that each school must meet, while Vermont has a new set of specific learning goals for each subject. Virginia has new procedures for adopting textbooks and is setting up a center to evaluate educational computer software.

Virtually every state has taken up the question of how to train better teachers. Connecticut, for example, is tightening its standards for state teacher colleges and working on a plan to give teachers 10 more days of training.

Twenty-three states have taken steps to increase the time students spend learning. Arkansas, for example, has increased the required instruction time from five hours a day in five and a half and, beginning in 1987, will lengthen the school year from 175 days to 178. At least 17 states have taken steps to increase teacher salaries, and a recent survey by the Southern Regional Education Board found that at least two dozen others were dealing with the issue. "There is a concerted, long-term effort to raise teacher salaries," said Mark D. Musick, a board official.

In at least half a dozen states, including Florida, California and Tennessee, increased pay for teachers is being tied to merit pay or "master teacher" programs that link higher salaries to superior performance.

Many of the education initiatives have been controversial. Teacher unions have been critical of a plan by Governor Thomas Kean of New Jersey, being emulated in half a dozen other states, to try to attract bright people into teaching by allowing liberal arts graduates to enter the field through a competency test and one-year internship rather

than requiring college courses in teaching.

The National Education Association has been vigorous in its criticism of efforts in Arkansas and several other states to test the competency of current teachers. "For years we have been screaming and yelling that we have to do a better job of screening who gets a teaching certificate," said Keith B. Geller, vice-president of the teacher organization, the country's largest.

"Effective teaching is not something that lends itself to a test."

Mr. Bell realizes the need for sensitive leadership to get teachers to carry out the new policies.

Some of the actions being taken

**Some Teachers Vote to Call Off Strike in U.S.**

*United Press International*

**NEW YORK** — Teachers in two Illinois districts and two in New Jersey ended strikes Monday and ratified new labor contracts.

But strikes over new contracts affecting 135,000 schoolchildren continued elsewhere in Illinois, Michigan, Pennsylvania, New Jersey, Louisiana and Rhode Island.

The major points being disputed are wages, fringe benefits and the size of classes.

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Some Teachers  
Vote to Call Off  
Strike in U.S.

United Press International  
NEW YORK — Teachers in two Illinois districts and New Jersey ended their strike and ratified new contracts.

But strikes over contracts affecting 150,000 children continued in Illinois, Michigan, Pennsylvania, New Jersey, Rhode Island.

The major points agreed are wages, benefits and the size of

## Disarmament Conference To Resume In Europe

Reuters

STOCKHOLM — The Conference on European Security and Disarmament resumes Tuesday with delegates doubting that its third session will bring them any closer to beginning negotiations on reducing the risk of war in Europe.

The 35-state conference, with participants from all the nations of Europe except Albania, plus the United States and Canada, began in January with a mandate to negotiate confidence-building measures in Europe. So far, it has failed to move forward from formal plenary meetings.

"We're starting from scratch again," a Western delegate said.

The conference is effectively the only arms forum in which the United States and the Soviet Union are still talking to each other. Talks between the two nations on limiting medium-range nuclear missiles in Europe collapsed in December, the Geneva conference on chemical weapons was adjourned at the end of August, and talks in Vienna on mutual and balanced force reductions are deadlocked.

Stockholm's second session ended in July with Moscow rejecting a Swedish initiative suggesting that two working groups should be set up to deal with specifics such as notification of military exercises and the exchange of observers.

There is still basic disagreement between East and West about what they should be discussing. The North Atlantic Treaty Organization wants to discuss military specifics while the Warsaw Pact wants parallel talks on non-use of force and a non-first-use policy of nuclear weapons.

Western delegates said the international situation had become more uncertain in the two months since the last session partly because of the cancellation of planned visits to West Germany by the East German leader, Erich Honecker, and President Todor Zhivkov of Bulgaria.

They said rumors about the health and standing of President Konstantin U. Chernenko also could be unsettling.

### East German Defector Shot

The Associated Press

HANNOVER, West Germany — A man was shot and dragged away by East German border guards at the frontier Monday while apparently trying to escape to the West, West German police said. The West German border guards said they could not tell how badly the man was wounded.



ECUMENICAL GREETING — The Reverend Billy Graham was welcomed at the Moscow airport by Metropolitan Filaret of Minsk, the Russian Orthodox Church specialist on foreign affairs. He was starting a preaching tour of four Soviet cities.

## Genetic Matter of AIDS-Linked Virus Is Grown by Scientists in California

By Harold M. Schmeck Jr.  
New York Times Service

NEW YORK — Scientists in California say they have successfully grown in the laboratory all of the genetic material from a virus that is a probable cause of acquired immunodeficiency syndrome, or AIDS.

Cloning the genes of the virus is considered an important step in the research aimed at developing a treatment for AIDS.

Once the genes have been cloned, they can be grown in large quantities. Copies of individual genes can be used to turn laboratory bacteria or yeast into living factories that can manufacture key substances from the virus. Such laboratory-grown substances might be used for improved diagnostic tests or as a vaccine against the disorder.

At present there is no vaccine against AIDS and no known effective treatment. Experts say that most patients diagnosed as having AIDS will die of the disease.

The report of the successful cloning was made Sunday by scientists of the Chiron Corp., a biotechnology company in Emeryville, California. They used a virus discovered by a research team at the University of California at San Francisco led by Dr. Jay A. Levy.

Customarily, such findings are

reported first by publication in a scientific journal, but research on AIDS has been characterized by intense international competition.

Evidently as a result of this competitive atmosphere, officials of Chiron announced their accomplishment Sunday, giving a description of the process by which the cloning was achieved but without waiting for formal publication.

Since the existence of AIDS first became known in 1981 there has been a worldwide search for its cause and for ways of treating or preventing it.

Most of the approximately 6,000 known victims of the disease are homosexuals. Others considered at high risk of developing AIDS include people who take drugs by injection and such people as hemophiliacs who need frequent blood transfusions or blood products.

Experts are concerned over the possibility that the disease might spread more widely. The Centers for Disease Control in Atlanta, the federal agency responsible for surveillance of AIDS cases, reported recently that more than 76 percent of all AIDS patients diagnosed before July 1982 had died.

AIDS patients suffer a catastrophic decline in their immune systems, making them easy targets for infection. They also commonly develop cancers of a kind thought to be related to serious defects in immunity. Scientists believe AIDS is probably caused by a virus or viruses that deplete the immune system of important defensive cells of a class called T lymphocytes.

While scientists are working intensively toward the goal of developing a vaccine, many of them concede that the task may be extremely difficult because the disease presents so many mysteries and because it seems to begin with damage to the immune system, which must be engaged for any vaccine to be effective.

Viruses discovered by three research teams have been implicated recently as probable causes of AIDS.

## Greeks Fear New Era of Political Feuding

By Paul Anastasi  
New York Times Service

ATHENS — Personal criticism by Greece's Socialist prime minister of the new leader of the conservative opposition has caused concern over a possible return to the bitter political feuding of the mid-1960s.

The tense atmosphere 20 years ago is regarded as having helped create the conditions for the start of a seven-year military dictatorship, as "a nightmare" and accused him of having joined with King Constantine in 1965 to overthrow Mr. Papandreu's father, George Papandreu.

In a speech Sept. 2, Prime Minister Andreas Papandreu described Constantine Mitsotakis, the new leader of the New Democracy Party, as "a nightmare" and accused him of having joined with King Constantine in 1965 to overthrow Mr. Papandreu's father, George Papandreu.

The prime minister said Mr. Mitsotakis was responsible for the 1967 coup, the military dictatorship and the Turkish invasion of northern Cyprus in 1974.

"I truly believe that the fact that New Democracy's legislators managed to choose a nightmare for their leader is proof of their degeneration," Mr. Papandreu said. He said that, because of Mr. Mitsotakis's record, he would not speak with him.

"I do not intend to hold a dialogue with someone who betrayed his leader and his party, and who is responsible for the seven-year dictatorship and the Cyprus tragedy," he said.

Mr. Papandreu's statement was widely criticized by opposition politicians and many newspapers. They feared that it could herald a return to the crisis of the 1960s and to the acrimony that has often troubled Greek politics.

Pro-government newspapers largely supported Mr. Papandreu. Some are publishing serialized accounts of the crisis of 1965-67, laying most of the blame on Mr. Mitsotakis.

It appears that the present Papandreu government has decided to focus on the personal record of Mr. Mitsotakis as a means of campaigning for the next election.

One person determined to prevent a revival of personalized political feuding is President Constantine Karamanlis. Last Wednesday, sources reported, he asked the conservative leader to avoid a personal dispute. Mr. Karamanlis is reported to have made the same request to Mr. Papandreu.

Mr. Mitsotakis said he was con-

fident the dispute would be resolved.

"The events of the mid-1960s will be clarified through open dialogue and not through history written by myself or Mr. Papandreu."

"Despite the vulgar language he used, I am sure Mr. Papandreu does not really mean he will not speak or meet with me. It will always be necessary for the prime minister and the opposition leader to discuss matters, whether he likes me or not."



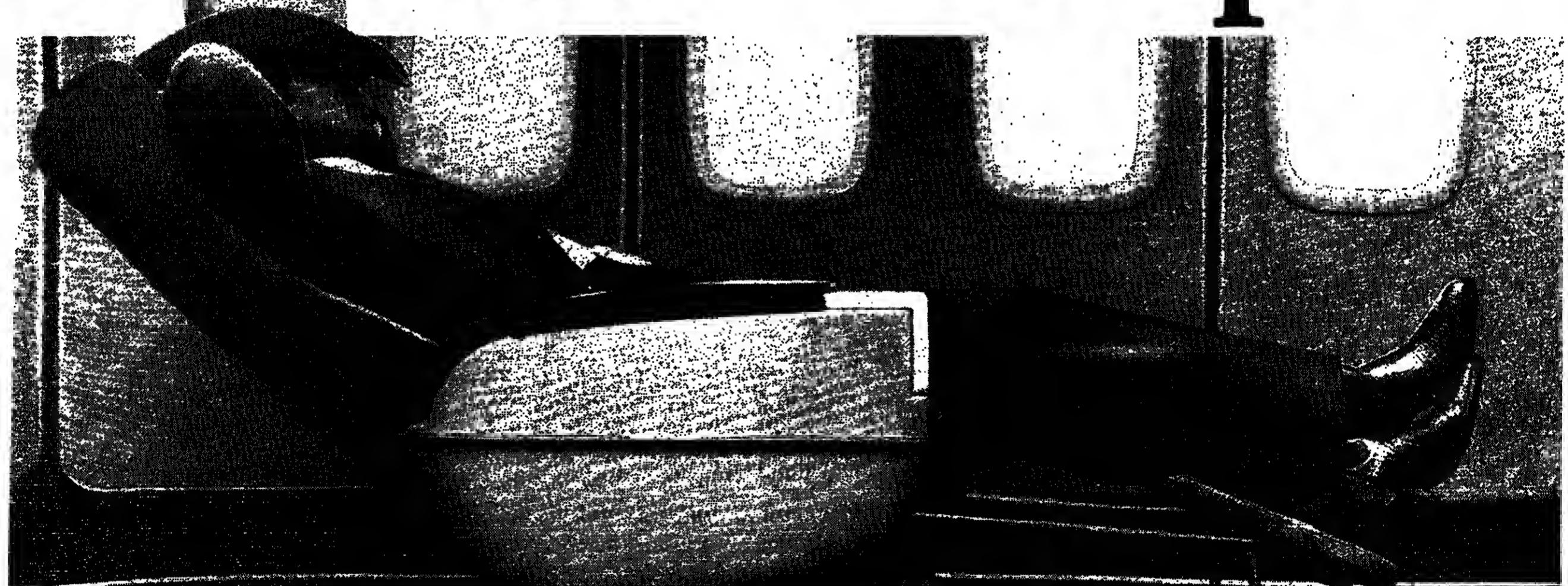
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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Squandering Antibiotics

It is hard to read without wonder about the long series of unlikely events that enabled Alexander Fleming to discover penicillin. The folly, greed and neglect with which the priceless gift of antibiotics is now being squandered command almost equal awe.

Antibiotics are a uniquely potent weapon against bacteria, but they possess a fatal weakness: If used to excess, their power fails. That is what is now happening because of doctors who over-prescribe antibiotics and farmers who routinely add them to animal feed.

Many disease bacteria are now resistant to six or more different antibiotics. They can be killed by others to which they have not yet acquired resistance, but the fallback antibiotics are often more toxic and more expensive than those they replace. And there is no guarantee that there will always be new antibiotics in reserve. Some biologists fear the day may come when 80 percent of infections are resistant to all known antibiotics.

About 40 percent of the antibiotics produced in the United States are used not to control disease but because of a strange side effect: They promote growth in farm animals. All poultry and most pigs and cattle receive low doses of antibiotics in their feed.

The practice ensures the widest possible spread of resistance. With daily doses of antibiotics in the animals' feed, the resistant bacteria have an overwhelming advantage over others. The genes that confer resistance are easily transferred from one bacteria to another, even to different species.

Some European countries long ago banned

medically useful antibiotics from animal feed. They feared that resistance genes were being transferred from animal bacteria to those that infect humans. In 1977 the U.S. Food and Drug Administration followed suit, proposing to reserve penicillin and tetracyclines for combating disease. Farmers could switch in alternatives for promoting animal growth.

But Congress has persistently thwarted the proposal, demanding one new study after another. Producers of feed antibiotics, a \$250-million-a-year industry, contend that hospitals, not farms, are the main forcing grounds of resistance, and that it is mere speculation to suppose that disease bacteria that gain resistance on a farm ever in fact infect humans.

Just such a case has now been documented by the Centers for Disease Control. Investigating an outbreak of food poisoning in Minnesota, researchers traced back the chain of transmission from the paticots to a consignment of hamhurker, to the supermarkets where it was sold, to the meat buyer, to the farms where the beef was raised. There they found that the farmer had fed tetracycline to his herd.

The frequency of traffic between the animal and human pools of bacteria is hard to assess, but it could be high. Rather than risk continued debilitation of antibiotics needed for human and animal disease, why not let farmers pay a few cents more for the available alternatives? Congress has needlessly stalled the obvious remedy for seven years. Further delay could well earn it the landmark opprobrium of helping render penicillin completely useless.

—THE NEW YORK TIMES.

## The Same Goes for Steel

President Reagan was clearly right to deny protection to the American copper producers. To refuse to protect a domestic industry in distress is always difficult for a president, and more difficult than ever in the midst of an election campaign. But it is generally true that import quotas and tariffs do more harm than good to the economy, and the copper industry is a particularly explicit example.

The American producers argued that their markets were being invaded by subsidized copper from abroad. Subsidized or not, the imports were setting the world price. If Mr. Reagan had given the producers the protection that they wanted, the immediate result would have been higher copper prices forced on all the American manufacturing industries that use copper. That in turn would have handicapped those American manufacturers in meeting their own foreign competition. As they lost sales, they would have come to the government for protection from imports made with cheaper copper. Far more jobs would have been lost than saved.

Protecting primary metals is always particularly dangerous. If government keeps out the crude metal because it is too cheap, it will enter the country in the form of finished products. That increases the effect on unemployment.

Mr. Reagan's next major trade decision, due later this month, will be on steel. It will be

more important than the copper decision in terms of jobs, dollars and implications for U.S. industrial policy generally. But the issues will be similar. Again the domestic industry claims that its foreign rivals are subsidized. Again it seeks import quotas that would raise steel prices for American manufacturers and leave them at a disadvantage in their struggles to hold their markets against foreign competitors. A higher domestic price for steel would be welcomed by the steel makers, but it would be a real threat to automobile manufacturers.

There has been much speculation that, as a matter of political tactics, denying protection to copper gives Mr. Reagan more latitude to help steel. Mr. Reagan has always strongly advocated open markets. In view of all those speeches and statements, according to this line of reasoning, perhaps we feel that he could not protect both the copper and the steel industries — and, having to sacrifice one of them, chose the one that was less powerful and more dispensable. That suggestion seems excessively cynical, even by the standards of trade policies.

International trade is one area to which Mr. Reagan's doctrine of the free market really applies, and in which he can genuinely strengthen the economy by pursuing it. He applied the right principle in the copper decision, and the principle is the same for steel.

—THE WASHINGTON POST.

## Other Opinion

### Israel: 'Becoming an Illusion'

The state of Israel is in danger of becoming an illusion. For all its military prowess and its ever-expanding borders, it is a country which cannot stand on its own two feet.

Economically Israel is well on the way to the status of a U.S. client state, and even politically its future now depends as much on the whims of the American electorate as on the will of the Jewish people. The economic crisis derives from a combination of enormous defense spending swollen further by the invasion of Lebanon and the outgoing government's accelerated program of West Bank settlements, and a series of consumption subsidies which successive Likud governments have deployed to maintain their popularity. The books have been balanced by a volume of U.S. aid which has made the Israelis the most heavily subsidized people on Earth.

Now even the annual \$2.6 billion which Israel receives from the United States is inadequate. Next year Israel is likely to ask for nearly twice as much. Israel's true friends should resist such appeals. The people and politicians of Israel must bear the costs of creating a stable, self-sufficient economy capable of supporting a genuinely sovereign state.

—The Financial Times (London).

### Canada: 'Pro-American Stance'

The winning of the largest parliamentary majority in Canadian history by the Progressive Conservative Party reflects a strong desire by Canadians for a change in leadership in these times of domestic economic difficulties and international confrontation. It was a personal triumph for Brian Mulroney, who is little

known outside of Canada. He is an atypical Canadian politician because of his unabashedly pro-American stance.

—The Japan Times (Tokyo).

I have said right from the beginning that if I were chosen leader, my first obligation would be to refurbish the relationship of trust that must exist with our greatest friend, neighbor and ally, the United States of America. Period. This doesn't imply any subservience . . .

Sniping and snarling at the United States is fashionable in some quarters in Canada. Fortunately, those quarters don't exist in the Conservative Party, and they don't exist with me.

—Prime Minister-elect Brian Mulroney, in an interview in *Newsweek*.

When the pendulum swings in Canada it really swings. Apart from a shattered Liberal Party, Mr. Trudeau's legacy is a much more relaxed relationship between the Anglophone and Francophone groups. This is undoubtedly a valuable inheritance, on which Mr. Mulroney, a bilingual Irish-Canadian from Quebec, is exceptionally well qualified to build.

His campaign cry of "time for a change" both struck the right note and gave him a virtually blank check. His only firm commitment is to the preservation and judicious expansion of the social welfare system; unfortunately that means more spending when Canada is already chronically living beyond its means. As the untried new leader picks up his daunting burden, another conundrum arises: whether the plummeting Liberals or the rising New Democrats will win the battle to be the real opposition. Canada may well be one sooner than present appearances suggest.

—The Guardian (London).

### FROM OUR SEPT. 11 PAGES, 75 AND 50 YEARS AGO

#### 1909: A Submarine Logs 600 Miles

PARIS — The submarine Calypso, commanded by Lieutenant Rohillot, arrived [on Sept. 9] at Toulon, having completed her long distance sea test. She left Toulon [on Sept. 7], her itinerary being via the Straits of Bonaparte back to Menton, some five hundred miles. When, however, she made the Straits, Lieutenant Rohillot altered his helm for Genoa, a detour which brought the trip to nearly six hundred miles. This was done without a stop and in the time of fifty-nine and a quarter hours. It is also remarkable as an exhibition of endurance on the part of the crew, for quarters on a submarine are not remarkable for comfort, even with modern improvements.

#### 1934: Russia Can Now Join League

GENEVA — The only obstacle to Russia's admission in the League of Nations was cleared away [on Sept. 10] when the secret session of the Council of the League agreed that the Soviet Union should have a permanent Council seat after the Assembly, where approval is already assured, elects it to membership. Poland voted for Russia, while Argentina and Portugal preserved the unanimity by abstaining. Russia's entry will be countervailed, however, by the collapse of the "Eastern Locarno" pact of mutual assistance. The Polish vote enabled Poland to reject the "Eastern Locarno" and Warsaw also gained Russian guarantees for Polish minorities.

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## For a Policy of Aggressive Cooperation With Moscow

By Spark Matsunaga

The writer is a Democratic U.S. senator from Hawaii.

WASHINGTON — The case of Andrei Sakharov and Yelena Bonner dramatizes the central question of our nuclear age: How are two nations that hold the fate of the world in their hands to relate to one another when their ruling value systems stand at diametrically opposing poles?

During the past 15 years two sharply contrasting U.S. policies have emerged. The Nixon-Ford-Kissinger administration practiced what Richard Nixon aptly called "hardheaded détente." The tools of that policy were trade and other forms of cooperation, combined with discreet pressure applied as part of a process of continuing negotiation.

Although it produced considerable flexibility for lateral movement, "hardheaded détente" could not last as a U.S. policy for the same reason it held so much appeal to the Kremlin: It lacked moral content. Its goal was world order in the classic European sense. It was suspicious of internal forces seeking change that threatened established ruling elites — in the Soviet Union, Chile, wherever.

Jimmy Carter remedied that defect with a vengeance. He put human rights at the center of his policy on the Soviet Union and repeatedly "punished" (a word he favored) the Soviets for morally unacceptable behavior. The tools Mr. Carter employed to administer punishment were, to a considerable extent, the various components of the web of interdependences developed by Nixon-Ford-Kissinger.

Under Ronald Reagan that moralistic emphasis reached an apex with the description of the Soviet Union as the "Focus of evil."

As superpower relations deteriorate and

the arms race accelerates, the question now is: Which approach is preferable?

Each, in my view, has serious flaws. A policy in tune with American values and interests needs both moral concern and tactical flexibility, both calculation and compassion.

One way to serve American values and interests would be to establish cooperative activity as an overriding national objective to be pursued with calculated sophistication and moral determination. This policy would replace the prevailing vacillation between no

behavior by cutting off contacts as "punishment" (which actually makes work easier for the police state apparatus), the United States would keep up the pressure, constantly pushing for new and expanded contacts of substance in the teeth of Soviet repression.

America's principal target would be the emerging scientific and technical elite, the most sophisticated and cosmopolitan segment of Soviet society, who enjoy the highest status and upon whom the totalitarian power structure depends for running the system.

In pursuing that target, we could expect much more support now from our European and Japanese allies, who already favor increased cooperation and greater flexibility in dealing with the Soviets.

Would such a policy legitimize Soviet policies of repression toward Andrei Sakharov, Yelena Bonner and others? On the contrary, it would be the strongest and most effective rejection of those policies.

The Soviet police apparatus thrives on isolation. Why assist its efforts? Under present conditions, whenever they want to tighten the screws at home they need only create an incident. We have handed them flexibility at our expense. In an important sense, American policy has made itself hostage to the KGB.

contacts and an uncritical pursuit of contacts that the Soviets exploit by limiting participation to party hacks. It would set strict standards for cooperation and push them hard.

A policy of aggressive cooperation would recognize that the chief enemy is not so much world communist ideology, which takes many evolving forms (China, Hungary, Yugoslavia), as it is the repressive Soviet police state, which is compulsively hostile to any evolution at all, communist or otherwise.

Instead of responding to repugnant Soviet

expanding program of joint activity, Soviet policy-makers must find it sufficiently appealing to stay in even though the partnership places their reactionary system of internal controls increasingly at risk.

One promising possibility is an international manned mission to Mars in the 21st century. It could be put forward as an alternative in competing "Star Wars" space weapons systems, which would otherwise be developed in the same time frame. Unlike star wars, it would mandate ever greater openness across an expanding front, to the benefit of democratic values and interests.

Joint activity on a grand scale would respond to the deepest aspirations of Andrei Sakharov. In the late 1960s and early 1970s he sought to nudge the Soviet Union in precisely that direction. Then the police apparatus moved in and re-established the "us" versus "them" condition upon which it thrives.

"Any action increasing the division of mankind, any preaching of the incompatibility of world ideologies and nations is madness and a crime," Mr. Sakharov wrote. With such utterances his descent from official favor began, until, alone and isolated, he could retain his integrity only by lasting back at his captors.

But we should not confuse his entrapped response with the deep universal spirit that moved him to seek the intellectual freedom that must inevitably ensue from expanded communication and joint activity on an international scale. We have it in our power to resurrect that noble spirit. All we need is the will and determination — and the leadership.

The Washington Post.

## South Africa: Progress, Certainly, but Equality Keeps Receding

By Jack Foisie

JOHANNESBURG — In 1976,

when I arrived here to take up an assignment as the Los Angeles Times correspondent in South Africa, blacks in the ghetto city of Soweto were rioting. The uprising spread to other communities, and more than 450 persons were killed, most of them by police bullets.

Eight years later, as I leave, there are new riots and more dead. Now the violence is in black townships south of here. The focal point has been Sharpeville, where the country's black protest movement began in 1960.

True, the white government has its own interest at heart; it realizes that the country's developed industries cannot expand unless blacks are able to do more than pick-and-shovel work. Still, it is a change for the better, and one of the more reassuring by-products has been the rapid formation of black unions. Some of them already bargain effectively for better wages and working conditions.

This transformation of black workers from second-class status in white unions, if they were accepted at all, to a point where they have their own unions with latent political power — is the near-miracle I have witnessed in this country.

For Prime Minister Pieter W. Botha, this is the most remarkable achievement of his six years in office. He and the man who was his minister of manpower, Stephanus P. Botha

(no relation), had to steer the enabling legislation through a white Parliament steeped in a keep-down-the-blacks tradition, and then shepherd the law through the implementation stage. Conservative civil servants have traditionally tended to drag their feet when it came to carrying out laws aimed at racial change.

The recent unrest may stem in part from the taste of political expression allowed by the liberal new labor laws. And it may prove to be unfortunate for the prospects of getting any further black legislation.

Right-wing whites, dead set against relaxation of the apartheid format that keeps blacks segregated except in the work place, are now crowing, "I told you so." Any freedom for the blacks, they insist, only encourages them to demand more.

Estimates of the political strength of these white die-hards vary widely. The champions of white superiority range from pastors to the Dutch Reformed Church, who cite selected Biblical passages to defend apartheid, to

jackboot toughs who threaten not only blacks but white liberals as well. The main resistance probably comes from rural Afrikaners who retain their Calvinist views and see blacks as no more than cheap labor.

Poll-takers have tried to assess white resistance to racial change, and undoubtedly Prime Minister Botha has, too, but there are no accurate figures. If it came to a general black uprising, something much more organized than we have yet seen, all the whites would probably be united, and this is perhaps what keeps the stopper in the bottle of black unrest.

On the encouraging side, there appears to be a growing realization among urban whites that political accommodation with blacks is inevitable and that it is better to start easing into it sooner rather than later.

Mr. Botha may have strong qualms about what he has to do. He is an Afrikaner, and right-wing whites regard him as a traitor. But he is also a pragmatic

## With Moscow

expanding program of joint activities must find a place, even though the Soviet Union's sheer technological power and control over energy at risk.

The remaining possibility is an informed measure to Man in the Moon. It could be put forward as an alternative to competing "Star Wars." Space weapons, which would otherwise be developed in the same time frame. Unlike star wars, it would mandate ever greater spending, an expanding front, to the benefit of strategic values and interests.

Space activists in a grand scale will respond to the deepest aspirations of Sakharov. In the late 1960s, he had sought to nudge the Soviet Union in that direction. Then the power spectrum showed in and re-established the "them" condition upon which it thrived.

After action increasing the intensity of land, air preaching of the unimpeded world ecologies and natural environment. Mr. Sakharov wrote: "We have achieved our descent from nuclear warheads until there is no longer any old enemies left to fight back at us."

But we should not write off an entire response with the deep conviction that it forced him to seek the traditional freedom of man, the right to express his own communication and cultural expression in a national scale. We have to be prepared to accept that nuclear power, as well as peace, will and determination in —

The 14th anniversary

## Summer's Over, and the Fashion Wagon Is Back on the Rails

By Hebe Dorsey  
*International Herald Tribune*

**P**ARIS — August is traditionally in the fashion doldrums, but September is fast catching up. It started early this month with the SEHM (Salon Européen de l'habillement Masculin) at the Porte de Versailles.

The most interesting thing about the menswear market is the increasing numbers of men designers who made their names in women's ready-to-wear. Claude Montana, for one, showed his first men's collection, joining ranks with Kenzo, Jean-Paul Gaultier and Thierry Mugler.

Montana himself is the ultimate in non-dressing — gray T-shirt topped by pink shirt, topped by blue blouse, topped by orange-lined navy blouson and jeans. His only sartorial extravagance consists of snakeskin Mexican boots, elegant and elaborate almost to the degree of showiness — "and they cost me a fortune."

According to Montana, the men's market is where it's at all these days, and offers a lot of room to expand into, while the women's market is pretty saturated.

"My menswear collection has nothing to do with my women's line," Montana said. "I don't go as far. I've tried to design something I would like to wear myself. If I dressed up, but although I don't have lots of friends who do and I have a new idea of what they want."

Men, Montana said, now want to dress up. They are getting used to changing their looks "and they

don't want their wives to do their fashion shopping for them any more." All this means that the fashion world may turn to peacock and the market will move accordingly.

Kenzo, who was showing his third men's collection, moved on to his usual, colorful and whimsical path with classicism that may coincide with commercialism. As for Gaultier, the fun-man of Paris fashions, he had the most avant-garde collection in terms of presentation, which, as always with Gaultier, camouflaged some highly wearable clothes.

The month goes on with all kinds of fashion events. Last Saturday, Issey Miyake opened a new boutique at 17 Boulevard Raspail, not far from his prestige, de luxe boutique on Boulevard Saint-Germain.

The new boutique will, for the first time, carry his cheaper, so-called Plantation line, which is simpler in design but still minimalist Miyake's Michel Klein, a promising Paris talent, also just opened a boutique at 39 Rue de Grenelle.

Karl Lagerfeld this week is opening his first boutique under his own name, in London, at 173 New Bond Street, with a Paris one scheduled for early next year.

On Monday, Nina Ricci hired a house on the Seine to launch "Philae," its new perfume, and on Wednesday, Hermès is having a showing of its fall-winter collection with cocktails afterwards. Hermès' upper floors have been redesigned into attractive, gardened terraces, a sign that the store, which

started as a saddlery, is branching out into all kinds of new areas, including house and garden. The latter has been turned over to Nicole de Ysian, an elegant woman who used to have her own styling agency. Among her chic ideas are all kinds of essentials for yachts as well as elegant gardening outfits, including gloves and brown canvas and leather garden aprons.

On Sept. 19, Hélène Rochas, who has recently been lured back into the company as its glamorous image-maker, is feasting the coming out of a new perfume "Lumière," with the premiere of Winona's film "Paris Texas," followed by dinner for 130 at the Jules Verne restaurant on the Tour Eiffel.

On Sept. 25, Dior is showing its new collection, designed by Frédéric Caster. Meanwhile, Pierre Cardin, who will show his first China-produced collection soon, is also working on his newly revamped restaurant at the Espace Cardin, which he hopes will become a favorite with the fashion and advertising crowds. With tables in the garden, which has been dolled up with white tents and trellised arbors, a simple, mildly priced menu and service until 2 A.M., Cardin says this will be an alternative to the extravagance of Maxim's, which he already owns.

Meanwhile, every other designer seems to be going to New York. The most notable August events were the launching of Kenzo's cheaper line, "Album de Kenzo," for 550 Limited Stores, and the opening of a new Issey Miyake boutique at Bergdorf Goodman.

Under its new president, Dawn Mello, Bergdorf seems eager to capture all the fashion talent around. On Tuesday, she is celebrating the launching of a new Claude Montana boutique on the so-called "couture floor," next to Yves Saint Laurent and Chanel — an honor that Montana, who flew over for the occasion, was anticipating with some anxiety.

"There's something a bit scary when people seem to accept you all of a sudden," said this new prince of the fashion establishment, who is now at the head of a \$40-million empire (not counting figures for Japan).

Montana was still looking forward to meeting the American fashion press at a luncheon which was held in the newly opened Petersian caviar restaurant. The latter, on Seventh Avenue and 57th Street, has been lavishly decorated with Art Deco and engraved mirrors à la Art and banquets that are half blue leather and half mink.

Jean-Paul Gaultier will also have a first showing of his collection in the United States, again courtesy of Bergdorf.

Like borders of European designers who feel that they must have a window in New York, Montana is also opening a boutique, but not on Madison Avenue, which is funds entirely too crowded. He is going to open on Park Avenue and 57th Street, a location put on the fashion map by Martha's.

Lured by the American dream,



Claude Montana at home.

Elle magazine has just put on the front of 1,200 people. Finally, for the Spanish anti-cancer society

stands an "Elle International" on a four-times a year basis. The first issue featured "Proustomania" and lively, kicky fashion styles.

Jean-Louis Scherer showed his collection on Friday in Barcelona

for Rome, on Sept. 26, a prestige operation patronized by Jack Lang, France's minister of culture.

## Keeps Receding

before him, he seems to down the road further.

He has started a few power-sharing groups that are more than the 45 members added two hours ago for the "last test" and even Indians. Both groups eliminated against a series of apartment houses, a measure of political unity through which whites and blacks are represented in Parliament. He is still right at 45.

Without trying once and often at Mr. Bush, and seems in his prime. Black will not through the power. This group of young men may not be known as the "other Bill Evans" much longer.

It was the name of a late great pianist who was often confused with the pianist and composer Gil Evans. It is a common name to begin with, and, more confusing yet, all have been closely associated with Miles Davis.

Despite a common name requiring qualification, Bill Evans the saxophonist has had extraordinary luck. Their mutual friend, Dave Liebman, recommended Evans to Davis in 1980, only one month after he had graduated from William Patterson College in New Jersey. "Better stay near your phone," Liebman advised. Evans had been offered a \$1,000 a week job on a cruise boat. It hurt, but he turned it down.

Several days later, after the boat had sailed, the telephone rang. "Is it true that you play better than John Coltrane, Sonny Rollins and Charlie Parker?" Davis asked. Feeling like a Zen disciple, Evans answered: "I only know how to play my best." Davis laughed and invited him for dinner. Going in and out of the hospital with a serious leg infection, he was beginning to think about coming out of retirement one more time.

"It just worked right away," Evans recommended the guitarist Mike Stern, who Davis also hired: "We started hanging out. One day Miles bought a new Ferrari. The salesman told him to take it easy breaking it in. Miles shrugged him off and put it down to the floor. We hit 80 miles per hour [130 kilometers per hour] up the ramp to the East Side Drive. He was checking out the cassette machine when I saw traffic blocked up ahead. I shouted: 'Miles, break!' Later we ran out of gas on Houston Street and The Bowery. Miles kept hitting off the bums who wanted money for wiping the windows. I said: 'We're going to need those guys, Miles.' Finally he gave them a couple of bucks and they went to get gas."

It is tempting to recount more of his Miles Davis anecdotes, but the point is to ask why this reclusive, somewhat wizened black superstar would spend so much time with a 22-year-old clean-cut suburban-bred college-educated white boy from Clarendon Hills, Illinois. "I used to ask myself, 'Why me?'" When Evans told Herbie Hancock, an earlier Davis "discovery," that Miles mystified him, Hancock replied: "Join the club."

Perhaps opposites attract, perhaps Davis wanted to be nourished by youth, informed about young tastes, maybe he needed an acolyte, though Evans says: "I never thought much about Miles in college. For me he was a guy who played rock and had retired in 1975."

Once the relationship was established, boxing cemented it. Evans had been working out with weights every day for years, and Davis is a

fanatical boxer.

Evans' first recording of

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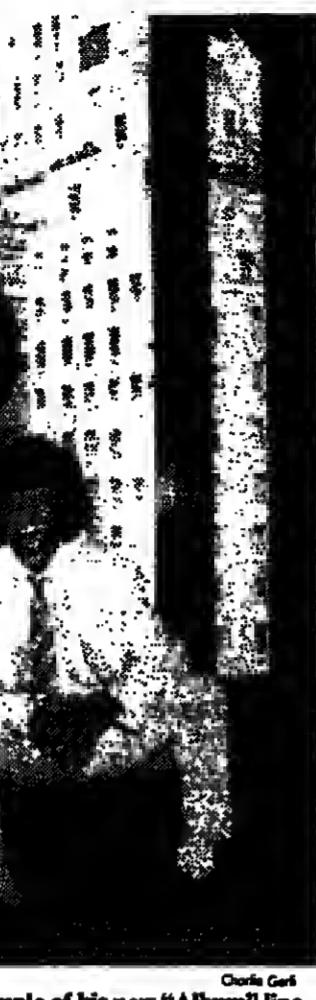
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Kenzo in New York with a sample of his new "Album" fine.

Photo: Gorki

By Michael Zwerin  
*International Herald Tribune*

**P**ARIS — The first recording of John McLaughlin's newly reassembled Mahavishnu Orchestra, to be released this month by WEA, credits "a revolutionary instrument" the "Synclavier II Digital Guitar." It also has another new ingredient — a young saxophone player who may not be known as the "other Bill Evans" much longer.

As the 20-year-old man

more educated themselves around him, he became more independent. I began to realize the changes that have

come to him: "I wonder whose drug is worse, yours or mine."

Evans is representative of the new breed of technocratic, dependable jazz musicians. Although you can long for less perfection and more personality, be play bouncy music that also happens to sell. Perhaps this combination is what attracted Davis. He became a central figure in the trumpeter's current group until joining McLaughlin's fabled Mahavishnu Orchestra earlier this year. His first album as a leader, "Living in the Crest of a Wave," was issued in the spring by Elektra/Musician, which hired a

publicist to promote it, rare corporate support of a jazz record.

Describing McLaughlin, the recurring adjectives "confident," "decisive" and "positive" reflect his own perspective: "I'd rather play three notes that remind somebody of a lake in Montana than play a bunch and have somebody say, 'He's burning!'" McLaughlin, who lives in Monaco and records in Paris) is one of the rare musicians who has learned how to use electricity instead of being used by

it. He says Evans is "the new guy to watch in town. He has amazing maturity for his age."

The young man picks his spots.

"I feel uncomfortable in situations where some guys just get together to cut a record hoping to make a lot of money. You know, 'Let's get Jack DeJohnette, Eddie Gomez and Miles Davis' saxophone player. We'll put together a couple of tunes and see what happens. I don't want to be part of that sort of situation. A lot of young musicians

will play anything anywhere with anybody. I like to work clubs from time to time, or I'll rent a studio with some friends and we'll jam all day, but when it comes to a serious commitment I want to play music that has organic personality."

"There's not all that much happening at this point. Good group vibes like the Mahavishnu are super-rare. I think we're ready for a whole lot of new bands to start taking off, like — now. I hope one of them will be mine."

Photo: Gorki

Bill Evans: "Music that has organic personality."

Photo: Gorki

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Photo: Gorki



# COMMODITIES

A SPECIAL FINANCIAL REPORT

TUESDAY, SEPTEMBER 11, 1984

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Trading gasoline at the New York Mercantile Exchange.

## COMPARISON OF PERFORMANCE OF 20 TOP-PERFORMING MUTUAL FUNDS WITH 20 TOP-PERFORMING FUTURES FUNDS, JUNE 1983 - JUNE 1984

NAME OF EQUITY FUND	% GAIN 12 MONTHS	NAME OF PUBLIC FUTURES FUND	% GAIN 12 MONTHS
Mutual Qualified Income	16.9	Harvest Futures Fund I	87.3
Mutual Shares	15.0	Harvest Futures Fund II	87.3
Selected American Shares	10.4	Pearcey Futures Fund I	63.3
G.T. Pacific	7.2	Pearcey Futures Fund II	61.4
Merrill Lynch Pacific	6.9	Arlie Commodity Fund	41.2
Fidelity Utilities	6.5	Clark Street Futures Fund	22.2
Sovereign Investment	5.6	Commodity Fund	26.6
T. Rowe Price International	5.3	Commonwealth Fin'l Fd Fund	25.8
Scudder International	5.3	Thomson Commodity Partners	25.7
Vanguard Quot. Div. Port.	5.2	Mint, Ltd.	24.3
Evergreen Total Return	4.7	Thomson McNamee Fin'l Fund	20.1
Legg Mason Value Trust	4.6	Recovery Fund I	18.5
Founders Income	3.9	Hutton Commodity Fnd II	17.4
Strong Total Return	3.6	Illinois Commodity Fund	14.9
Land Capital Opportunity	2.8	Thomson Fin'l Fd Fund	13.1
Vanguard Windsor Fund	2.8	General Commodity Fund	13.6
Safeco Income	2.6	Sycomore Futures Fund	12.5
Fidelity Puritan	2.6	Princeton Futures Fund I	12.1
Vanguard Wellesley Income	2.2	Princeton Futures Fund II	10.9
Nicholas Income	2.2	Tactical Commodity Fund I	9.9

## Decline in Commodity Prices Linked to High Interest Rates

By Randall E. Moore

WASHINGTON — The precipitous decline in commodity prices has been the economic enigma of the year, according to many economists.

Although economic growth in Western industrialized countries probably peaked this summer, prices of raw materials tumbled, contrary to their usual behavior. Normally, falling prices benefit consumers, as the declines are translated into lower inflation. But broad-based price declines — what economists call deflation — can also signal a sharp economic contraction.

Opinion in the economic community is sharply divided on the causes, consequences and longevity of this summer's price weakness. The actual declines are not in dispute.

Since peaking in mid-May, the

Commodity Research Bureau Inc.'s broad index of spot commodity prices has fallen 23 percent. The Dow Jones Index of Commodity Futures has fallen from 153.11 to 129.45 since last August. And, sensitive-materials prices in the U.S. Commerce Department's Index of Leading Economic Indicators dropped for the 16th consecutive month in August.

Declines in individual commodities have been even more dramatic.

Among industrial materials, lumber has been particularly hard hit, tumbling by half its value since the beginning of summer. Prices of industrial metals, such as copper, aluminum and tin also have plummeted.

According to some estimates, copper prices, adjusted for inflation, are at their lowest levels in more than a century.

Prices of world agricultural commodities — wheat, corn, oats, coffee, sugar, cotton and soya beans — have also taken a beating.

Perhaps the most widely noted price declines were those of precious metals. In fact, gold seems to have led the overall nosedive in commodity prices. On July 9, the metal hit a two-year low of \$332 an ounce, completing a tumble of more than \$40 in just three days. In tandem, or soon thereafter, other commodity prices joined in the sell-off.

Economists were caught off guard by the declines, according to Charles Lee, an economist with Northern Trust Co. "Prices had been soft, but the declines in July surprised more people than they would likely admit," Mr. Lee said.

At this stage in past business cycles, inflationary pressures are normally building as months of expansion force rationing of commodities by increased prices. The events of this summer, however,

have sent economists scrambling to lower their inflation forecasts for this year, next year and, in some cases, the rest of the decade.

In hindsight, most attribute the drop in commodity prices to four primary factors.

First and foremost are high interest rates. Since the inflationary excesses of the 1970s, central bankers have in large part pursued stringent monetary policies. Led by the U.S. Federal Reserve, world monetary authorities reduced money-supply growth and available credit in an effort to break the back of inflationary expectations. So stringent, in fact, were these policies, that the U.S. economy was plunged into its sharpest recession since the 1930s during 1981-1982. Nonetheless, financial markets, burned too often in the past by higher inflation after each economic downturn, refused to allow interest rates to fall even as inflation through much of

the industrialized world began to fall.

As a result of market fears, real interest rates, or the difference between nominal rates and the rate of inflation, soared to historically high levels.

The markets are charging an inflationary premium," said Donald Ratajczak, director of the state of Georgia's economic forecasting unit. "If the markets believed that inflation would not surge again, current interest levels would fall."

Mr. Ratajczak said.

High real rates of interest make it unprofitable to hold commodities unless prices are rising. This applies to both speculators and businessmen. Many analysts contend that the subdued rate of inventory accumulation during this economic expansion is directly related to the high real rates of interest.

High interest rates, especially

those in the United States, have resulted in an extremely strong dollar — another primary reason for the plunge in commodity prices.

Although the dollar gradually rose against the currencies of its major trading partners since 1981, the combination of slowing inflation and rising interest rates in the United States this spring sent the dollar to record levels against the British pound, French franc and Italian lira and to a decade-old high against the Deutsche mark. Most world commodities are priced in dollars. Consequently, nations like France found themselves paying more for oil at a time when the price in dollars was falling.

In the United States, a strong



New York Mercantile Exchange

(Continued on Page 10)

Randall E. Moore is senior money market economist at Evans Economic Inc. in Washington.

## Financial Futures Take First Step In World Trading

By Nancy L. Ross

WASHINGTON — The inauguration last week of futures trading in Eurodollars and Deutsche marks on the Chicago Mercantile Exchange and the Singapore International Monetary Exchange marks a milestone in the internationalization of financial futures, another step in the development of worldwide, round-the-clock markets. First day trading exceeded expectations, a Merc official said. Combined volume in Eurodollars and marks (plus gold futures traded on Simex) amounted to 49,000 contracts. Singapore traded 2,813 contracts, of which 663 came from Chicago overnight.

For the first time customers can buy and sell contracts interchangeably on the exchanges in both countries, because of computerized clearing known as a mutual offset system. The necessity for taking duplicate positions is eliminated along with duplicate commissions and margins. Moreover, operations in different time zones double the available trading time for customers seeking to benefit from events occurring after exchange hours. They can trade by day on U.S. floors and by night on a foreign exchange half a world away as orders are electronically routed to market makers there.

Financial futures were created to protect traders against shifts in market prices. Yet, they also serve speculators by offering considerable opportunity for profit — as well as considerable risk. The market is composed of two basic types of instruments: futures and options, and a hybrid options on futures. A futures contract obligates the buyer to buy or sell a commodity at a specified price at a fixed date. An options contract gives the investor the right to buy or sell the commodity at a given price on a given day. The hybrid allows the customer to buy or sell a futures contract.

Following more than a century of trading in agricultural commodity markets, the first financial future, a currency contract, was traded in 1972 in the United States. Interest rate futures followed in 1975. The volume of financial futures was created to protect traders against shifts in market prices. Yet, they also serve speculators by offering considerable opportunity for profit — as well as considerable risk. The market is composed of two basic types of instruments: futures and options, and a hybrid options on futures. A futures contract obligates the buyer to buy or sell a commodity at a specified price at a fixed date. An options contract gives the investor the right to buy or sell the commodity at a given price on a given day. The hybrid allows the customer to buy or sell a futures contract.

In the United States, a strong

(Continued on Page 10)

International difficulties notwithstanding, the Chicago Merc, which forged the bond with Singapore, is also negotiating with the London International Financial Futures Exchange. Another sub-unit of the Commodity Exchange of New York and the Sydney Futures Exchange, The Chicago Board Options Exchange is exploring a trading relationship with the European Options Exchange in Amsterdam as well as exchanges in London and Zurich. The Chicago Board of Trade is negotiating with the London Stock Exchange for permission to trade the Financial Times Stock Exchange.

There are more than 90 international commodity markets worldwide, with more being established every day in places such as Bermuda and Rio de Janeiro, according to Futures World, an international trade publication. Most of the new ones concentrate exclusively on financial futures, which do not require physical delivery. The bulk of the world's trading occurs on the dozen futures and five options exchanges in the United States, although 30 to 40 percent of all activity in the futures markets comes from abroad, the magazine said. (Continued on Page 11)

## Ebb and Flow of the World Oil Market

By H.J. Maidenberger

NEW YORK — The price of oil was once determined by the "Seven Sisters," the big global producers, refiners and marketers that controlled most of the non-Communist world's output, refining and marketing of crude oil and products.

No more. First off, they no longer control their foreign oil sources, and most recently the once powerful cartel of the Organization of Petroleum Exporting Countries has fallen into disarray, with hard-pressed members losing customers with cut-rate oil.

Given the fact that today no one knows how much oil is flowing onto the world market from OPEC and the Soviet Union, a major exporter, many oil experts believe prices are free, in that they truly reflect supply and demand, for the first time in the industry's century-old history.

But supply-demand aside, three key factors determine the day-to-day oil prices. One is the ebb and flow of crude through Rotterdam's huge oil storage terminals. When summer began, it was the overflow-

ing oil tanks in Rotterdam, the biggest cash or noncontract, petroleum market that brought prices crashing in July by \$2 a barrel, to \$26.

Indeed, these overflowing tanks in Rotterdam forced the Soviet Union to cut its crude prices and did more than any other thing to reduce "cheating" on agreed export prices by some OPEC members.

The second most important oil-pricing factor today is the economics of the "crack," or mix of products, that a 42-gallon barrel of crude oil yields when it is literally boiled at the refinery.

Typically, a barrel of crude is cracked as follows: gasoline, 44 percent; home heating, diesel and other distillate oils, 21 percent; heavy residual industrial fuels, 10 percent, and the rest yields such products as jet fuels, kerosene, petrochemical feedstocks, liquid gases, lubricants, among other items. The goo that is left at the bottom of the cracking pot is the asphalt used for road paving and roofing materials.

For the crack to be profitable,

the main products, heating oils and gasoline, should follow seasonal

patterns because refiners and distributors of oil products have fixed storage capacity. This has not been the case in recent years because of an uncommonly mild winter of 1982-1983 and the record cold one of 1983-84.

Further, Americans have been using less gasoline because they do not drive as much as they used to and their newer autos are more fuel efficient.

Meanwhile, the overflowing tanks at European refineries and the strong dollar have produced increased exports of their crack products to the United States, and Beijing's expanding oil refining industry, which does not have much of a domestic market for gasolines produced by its cracking operations, sold a lot of its excess gasoline to California's drivers last summer.

The resultant disarray in the oil marketing system has given rise to a new and powerful pricing mechanism: the futures market in crude and home heating oils and gasoline on the New York Mercantile Exchange and the International Petroleum Exchange in London.

(Continued on Page 12)

## A Gambling Arena, but Don't Count on Luck

By Roger Collis

TRAIBES, France — If you are tempted to speculate in commodity futures, think again. You are likely to have as much luck — and much more fun — trying to break the bank at Monte Carlo. Unless you really know what you're doing, you can lose your shirt playing chemin de fer, but in commodities trading you can risk losing the shirt you do not even have.

According to Paul Stratsma, manager of New York stockbrokers Thomson & McKinnon's Monaco office, 95 percent of the people who speculate in commodities lose money. Even successful traders may make most of their profits on 5 percent of their trades.

There are two broad classes of people dealing in commodities: speculators and hedgers.

Hedgers are producers and consumers of commodities, banks and institutions, who want to protect a given price or position in a commodity. Hedging represents 56 to 60 percent of the total market. It is the speculators who take the major risk and provide the liquidity for the hedgers to operate.

Most traders never receive or deliver the commodities, instead speculating on the rising and falling values of contracts for future delivery. For every trade there is a buyer and a seller. A buyer is somebody who thinks the market will go up; a seller is somebody who thinks the market will go down. For every

trade somebody gains and somebody loses. It is a zero sum game.

Speculators normally trade on margin. What this means is that they pay a deposit to their broker of 5 to 10 percent of the initial value of the contract. When the market moves that multiplies their profit or loss 10 to 20 times.

Imagine that you are trading a contract of \$44,000 with a margin of only \$2,500. If the price of gold moves \$25 you have either doubled your money or lost it. In the latter case you will get a margin call from your broker to cover your lost deposit. Normally you can limit your loss to the amount of your margin by putting in a stop. A stop is an order to your broker to get you out when the market has hit your price or bounces through your price.

Punters will tell you to take your losses out quickly and let your profits ride. Advice that is sometimes hard to follow.

André Olbrich, a vice president and commodities specialist at Thomson & McKinnon, says: "If gold drops \$100 overnight in Hong Kong as a result of some political news, and you are in New York with your contract of gold, the market in New York the next day is going to open \$100 down. If your stop is in the middle there is nothing you can do. You are stuck. A good broker can usually get you

(Continued on Page 11)

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## A SPECIAL REPORT ON COMMODITIES

# World Prices and Rising Interest Rates

(Continued From Page 9)  
dollar has forced the U.S. exporters to reduce prices in an effort to remain competitive abroad. Downward pressure on U.S. domestic prices has resulted from a flood of imports made cheap by the dollar's strength.

The slower pace of economic growth in Europe vis-a-vis in the United States, also contributed to reduce demand and subsequent price weakness. Whereas real U.S. economic growth during the first half of 1984 ran at a robust annual rate of 8.8 percent, the average rate of expansion in West Germany, Britain, Italy and France was only half of that.

The final culprit cited by most analysts as contributing to the plunge in prices is an abundance of supplies. While specific situations vary from commodity to commodity, many producers find themselves facing reduced demand and falling prices that they attempted to compensate for by increasing production, thereby exacerbating their dilemma, according to Evelina Tainer, an economist with First National Bank of Chicago.

In the case of the Organization of Petroleum Exporting Countries, Iran and Iraq engaged in price discounting to compensate buyers for

the increased risk and insurance costs of loading in a war zone. Nigeria asked for and received an increase in its production quota in an effort to boost revenues needed to make interest payments on its burgeoning debt to Western bankers. The Soviet Union, the world's largest oil exporting nation, cut prices in August to offset slack demand. And, Saudi Arabia, the linchpin of OPEC, inexplicably boosted production in July, for a time threatening the very survivability of OPEC.

Although major oil exporting nations and the multinational oil firms have recently succeeded in shoring up prices for crude, the oil market remains vulnerable to a rapid slowdown in economic growth in the industrial world that some analysts say is now occurring.

In contrast to oil, agricultural prices have almost exclusively been the victim of huge supplies. America's midlands are overflowing with wheat and feedgrains this year. Beneficial weather and government subsidy programs almost certainly insure that U.S. farmers will produce record or near-record corn and soybean crops. Cash-strapped Brazil and Argentina also produced record soybean harvests. Although stepped-up Soviet demand due to poor weather has lent some

support to prices, gone are the days of the early 1970s when Soviet buying sprees sent wheat prices soaring. The same holds true for other agricultural commodities. Government subsidized agricultural programs in less-developed countries have been initiated during the last few years in an effort to reduce food imports and foreign-exchange requirements.

Industrial metal prices have suffered for both supply and demand reasons. To begin with, prices for many never fully recovered from the reduction in demand associated with the worldwide depression of 1981-82. Research and development of stronger plastics, dropping the price of an ingot from 70 cents in January to slightly more than 49 cents near the end of August. Innovation in the recycling of aluminum cans has also reduced the demand and price of bauxite, the ore from which aluminum is processed.

The post-industrialization of America and other Western nations also has reduced demand as metal-processing industries shrink and service-based sectors grow. The root cause of declines in gold and silver have special significance. For hundreds, if not thousands of years, precious metals have been the primary refuge of investors faced with economic and politi-

cal uncertainty. In an era of low inflation and high interest rates, however, gold and silver have lost much of their luster. Where once a war in the Middle East sent gold prices soaring, today the haven of choice is the dollar or dollar-dominated government securities.

Perhaps the most intriguing question surrounding the precipitous weakening of raw materials prices is what it portends for the future. Though heralded by some as catharsis, ensuring a decade of the low rates of inflation experienced during the late 1950s and early 1960s, others are less sanguine.

The consensus view seems to hold that the world is experiencing disinflation, where some prices fall, but others rise or remain stable. Though disinflation represents a lowering of inflation and inflationary expectations that is likely to reduce the rate of inflation the rest of this year and early next year, beyond that most prices would probably resume normal increases. Though some now forecast that the inflationary spiral has been broken for the rest of the decade, this represents a minority view. More ominous, but also a minority, are forecasts that the collapse of commodity prices presages outright deflation, severe economic contraction and possibly a depression.

## Investment in Managed Accounts Grows

By Morton S. Baratz

WASHINGTON — No one has accurate data about the total amount of money invested in managed futures accounts in the United States and the European Community. But Managed Account Reports, a U.S. publication, estimates that \$1.5 billion is currently being managed by futures trading advisers in the United States and another \$200 million by trading advisers in the United Kingdom and Western Europe. Included in the former total is an unknown, but steadily growing sum owned by Europeans and entrusted to American futures

advisers just mentioned, although large by some standards, are paltry in comparison with the vast sums invested in managed equities accounts, mutual funds and pension trusts. In the United States alone the aggregate for that kind of investment runs into many hundreds of billions of dollars. What makes the figures for managed futures accounts seem so striking is their current size compared with their size only five years ago. In the United States in 1979 the combined investment in managed futures accounts was barely one-sixth of what it is now. The same probably holds true for Britain and the rest of Western Europe. To put it succinctly, managed futures accounts have grown at a rapid rate.

There are several reasons for this growth, of which three seem especially important. First, more and more speculators who "do it themselves" have come to realize that the likelihood they will make money is no better than one in four, and many seasoned observers think the odds are less favorable than that. The prospects for profit for the owner of a managed account is to

traded by a seasoned, proficient money manager are substantially better.

Just how much is far from clear, but small-scale studies done by this writer indicate that the probability of profit may be much higher if market conditions are consistently hospitable to money managers' trading systems.

A second consideration, related but separate from the first, is widening recognition among investors as a breed that if some portion—say, 5 percent to 15 percent—of an investment portfolio is allocated to a managed futures account, the performance of the total portfolio can be enhanced considerably. In the words measured words of the late Professor John Elmer of the Harvard Business School: "The combined portfolios of stocks (for stocks and bonds) after including judicious investments in appropriately selected sub-portfolios of investments in managed futures accounts... show substantially less risk at every possible level of expected return than portfolios of stocks and bonds alone."

A third contributing cause of growth in managed futures accounts is the latter's solid performance, in comparison with other investment vehicles. It should be noted, in particular, that during 1978-1982 the annual rate of return on futures mutual funds was three times that on stocks and 28 times that on bonds, and that between June 1983 and June 1984, 13 of the top 20 performers in the futures fund group had higher rates of return than all of the top 20 performing stocks.

Which were the best-performing U.S.-based money managers in the four years between New Year's Day 1980 and New Year's Eve 1983? The answer is not as easy to

answer as one might think, because "best" means different things to different investors. Furthermore, it is somewhat misleading to compare trading managers with one another because they differ considerably in trading objectives, trading strategies and trading tactics.

Investment units of most, but not all, futures mutual funds are sold with a front-end load of 7 to 8 percent. The sales charge may be added to the unit value of the investment in arriving at actual purchase price of the unit, for example, \$1,000 plus \$70 equals \$1,070, or may be subtracted from nominal unit value, for example \$1,000 minus \$70 equals \$930. In a few cases, however, the general partner recoups the selling charges by taking all or a portion of the fund's earnings from investment of equity in interest-bearing media. Managed accounts opened in the name of a single person, however, practically never carry a front-end load.

The largest single component of costs is brokerage commission. Although the cost of executing a trade on a U.S. exchange rarely exceeds \$5, the charge to "retail" customers currently averages about \$85 per round trip; to limited partners of futures mutual funds, \$60-\$70 (although of late the average has fallen to the \$30-\$50 range) and to owners of large (250,000 and up) individual accounts and traders of similarly sized private pools, as little as \$15. In Europe, by contrast, managed accounts must produce a gross profit of 40 to 50 percent in order to present investors with a net return that justifies the high risk the latter take. More than a few do so, not only in single years but over a period of years.

Morton S. Baratz is editor of Managed Account Reports in Washington.

## Price Stabilization Talks Reach Impasse

By Brij Khindaria

GENEVA — Negotiations in conclude international agreements to stabilize commodity prices are at a standstill because of growing doubts about their ability to deliver results.

The United States has always been skeptical of proposals promoted by the United Nations Conference on Trade and Development (UNCTAD) for international commodity agreements (ICAs) aimed at keeping world prices of certain commodities within pre-agreed price bands.

But similar skepticism was demonstrated in July by developing countries as well when they opted for a new international sugar agreement that did not contain provisions to stabilize prices.

The reasons for Third World skepticism are different from those of the United States but both reflect growing lack of confidence in the utility of ICAs in reducing price volatility.

The United States continues to oppose price stabilization records because it feels that governments should not join hands in interfering with free market forces in turn. Developing countries now recognize that current market conditions for such commodities as sugar have made price stabilization agreements unworkable.

For instance, so far this year world sugar markets have been unremunerative because prices have usually stayed below 6 cents a pound, whereas 13 cents a pound is generally considered to be the lowest price needed to cover costs. Stabilizing the price at such low levels is undesirable while raising them through an ICA is not feasible.

Both Western and Third World governments agree that poor nations exporting commodities are being seriously hurt by low prices. But consensus remains elusive on how to moderate the falling price trends.

In its latest annual report published on August 31, the UNCTAD secretariat said one of the main causes of low commodity prices is oversupply by producers. It implicitly admits that at this time creating agreement among producers to re-

duce supplies is more important than agreement among producers and consumers to stabilize prices through management of free markets.

UNCTAD continues to call for ICAs that would use a combination of export quotas and buffer stocks to stabilize prices. But running such accounts can be very expensive. One estimate puts the cost of stocks for coffee, cocoa, rubber, tin and sugar at more than \$3 billion.

This high cost is a reason that UNCTAD's ambitious Integrated Program for Commodities (IPC) has not met with much success since its inception in 1976.

The program requires conclusion of price stabilization agreements for 18 primary commodities, including cash crops, minerals and metals. A "common fund" of \$750 million is required in to be created to help the managers of each ICA to raise the money needed to pay for buffer stock operations.

Although an agreement was reached to create the fund in 1980, subsequent U.S. opposition to setting up new international financial institutions is likely to keep it from becoming operational for some time.

Negotiations for ICAs have mostly failed. Only the ICA for natural rubber and jute were completed after 1976. The four other current agreements—on coffee, cotton, sugar and tin—existed before.

A new agreement on tropical timber is reported to be near completion and another on tea might also make it to the finishing line after some more rounds of negotiations.

Among other negotiations at various stages of advancement are those for meat, vegetable oil and oilsseeds, hard fibers, bananas and cotton.

None of the existing agreements has worked effectively to stabilize world prices. While the agreements on coffee, rubber and tin are credited with having helped to temporarily moderate price falls, those for sugar and cocoa have failed dismally.

In cases where falling price trends were moderated, doubt re-

mains on whether the credit should go to ICAs or whether the moderation would have happened anyway.

The reason for the doubts is the large size of the price range allowed in the ICAs. For instance, the range varies from 90 percent for sugar, 80 percent for rubber and 60 percent for cocoa to 30 percent for tin. The new sugar agreement, which will come into effect on January 1 next year, will abandon efforts to stabilize prices. Instead, it will promote consultation among importers and exporters whenever prices enter a sharply falling trend.

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## A SPECIAL REPORT ON COMMODITIES

# Few Signs of Upturn for U.S. Farmers Despite Strong General Economic Uptrend

By Jerome Idaszak

**CHICAGO** — The big news for the American farmer this summer was no news — no drought, no federal program to idle cropland, no relief from high interest rates and no drop in the value of the dollar.

If the Soviet Union had not picked up its buying in the face of a Russian drought, the U.S. farmer would have been in very bad shape going into this fall's harvest.

Even with the Soviets buying, the comparatively cool days and timely rainfall across the midsection of America during the summer kept grain and soybean prices much lower than a year ago. That left farmers looking at potentially the second biggest corn crop on record and an equally big soybean crop. In addition, wheat farmers earlier in the year added to their already overflowing bins with a big harvest.

"In 1983, the dollar went up 30 percent," Mr. Daniel said. "That

cost the farmer 40 cents a bushel."

A look at future prices on the Chicago Board of Trade shows the fallout from a year ago.

Soybean futures, for example, were approaching \$10 a bushel in the summer of 1983 before various factors sent prices lower. In the summer of 1984 prices were below \$6.50 a bushel. Corn futures, \$3.30 a bushel at one point, went below \$3.

"That sets the stage for the 1985 U.S. program which will be a strong debate on what do we do about income," Mr. Daniel said. "We're going to have a real hot debate over two philosophies."

The first he summarized as "Let's drop loan rates and target prices, sell what the market will bear and get out of this problem"; the second says "there's no such thing as free competition in the world anymore, that 90 percent of all wheat is bought and sold by governments. So we need to adjust our supplies and prop up our farmers with supports."

The debate is likely to be heated even though farmers do not command the numbers of votes they used to. In the 1930s, the years of Dust Bowl and John Steinbeck's "The Grapes of Wrath," one in four Americans lived on a farm. In 1984, about three in 100 fall to that group.

But the group's impact remains

significant in American politics; and it takes in both Republicans and Democrats.

While the administration of

President Ronald Reagan has been strongly in favor of the market approach, it also came up with the 1983 program that was the most expensive in U.S. history — approximately \$23 billion.

"Maybe the demand will be so strong next year we won't have to worry about it," Mr. Daniel said. "But you've got a glut in wheat so big... 1.4 billion bushels. Corn is O.K., but it will be more than I think the agricultural community will become heavy users," added Bryan Monieson, chairman of the Chicago Mercantile Exchange.

The reason for their optimism lies in the unique nature of an option. A futures contract requires the holder to receive or deliver an underlying commodity or cash at a set price for a certain date; an option gives the holder the choice of exercising the option to buy or sell an underlying product.

The two work a bit differently. Ideally, Farmer Smith wants some protection for his crop. He could hedge, or sell a futures contract in corn or wheat that would lock in a price for him. But he faces two worries — if the value of the futures contract drops, he'll be required to add money to keep his position open. This could hurt him if the cash flow is a trickle until he harvests his crops.

The other disadvantage for Farmer Smith is that if the cash price soars, his futures position will

block him from reaping the higher profits.

If he turns to options, Farmer Smith will pay a fixed price — called a premium — when he begins to trade. That might be about \$1,000 or \$2,000 for a 5,000-bushel option. He will not get any phone calls for more cash. And if the cash price takes off, he lets his option expire and collects the higher profits.

"We are very enthusiastic about the prospect for agricultural options; they're a limited risk alternative to futures," said William Byers, director of commodity research in New York for the investment firm of Bear, Stearns & Co.

"The hope is that options will appeal to the former eventually because they work differently from futures, which are used by less than 5 percent of American farmers.

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The other disadvantage for Farmer Smith is that if the cash price soars, his futures position will

and roar. Volume through the first seven months in 1983 in this contract totaled 703,704. In 1984, T-bond options volume was almost 3.7 million. "T-bond options started slow and gained strength; that's

what [agricultural options] will do," Mr. Cunningham said. The exchange eventually expects big business; it is spending \$1.6 million for education and marketing of agricultural options.

each of the linked markets will prohibit and police against fraud, price manipulation and the like. While not the full equivalent of hands-on regulation by the CFTC, these measures assure a level of investor protection that might be absent at a non-U.S. exchange but for such a linkage.

The CFTC has proceeded to review each proposed linkage between a U.S. futures market and a foreign exchange with great deliberateness. In the case of the CME/SIMEX link, that process is virtually completed after many months of discussions. The regulators and the exchanges seem reasonably satisfied that all that can be done to make the plan safe has been done. The next step will be to offer the linkage to the trading public worldwide and to see if it agrees.

Philip McBride Johnson, partner in a New York law firm, was formerly chairman of the Commodity Futures Trading Commission.

## Worldwide Trading Linkages Alter Commodities Exchanges

By Philip McBride Johnson

**NEW YORK** — There are futures markets scattered about the globe, the result of local needs for the most part. These exchanges operated for years — in some cases, generations — with relatively little regard for their counterparts in other countries. To be sure they watched each other's prices but, as a rule, each served its own geographical area with only moderate encroachment from foreign-based exchanges.

All of that is changing. Two years ago, a cowering relationship or "linkage" was established between the European Options Exchange in Amsterdam, the Montreal Exchange and the Vancouver Stock Exchange in certain identical commodity options for gold, silver and various currencies, so that a market for at least some of those products would be open somewhere for up to 16 hours each day and investors could trade at any of the locations as if it were the near-

terms, this means that a trader can acquire an investment on one market and, while it is closed, add to or sell out of that position on one of the other linked exchanges. This flexibility should be attractive to traders, especially in highly volatile instruments when the inability to do due to a closed exchange could inflict major losses. In addition, linkage allows trading to occur with a single margin requirement and one broker's commission. Finally, the competitive environment at the exchanges would offer better prices to the investor than would be available from individual dealers.

No one is prepared to guarantee that these linkages will be successful. Picking the right products (that is, those with global appeal) and the right partners (ready to wait it out) are critical components. And these plans will operate across national boundaries where different laws, business customs and even cultures may be involved. Those who prefer the coziness of dealing with local merchants only, under predictable conditions and with well-defined rights, may find it difficult to adapt to the unavoidable uncertainties of cross-border trading. Even so, the assumption is made — and probably with justification — that users of futures markets can cope in the world economy as well as the scores of other industries that have survived the rigors of overseas trade in the past.

Futures trading in the United States is more heavily regulated than anywhere else in the world. This is due to requirements set by Congress and the Commodity Futures Trading Commission that mandate prior government approval of each new futures contract, each exchange and each trading professional (brokers, salespersons, advisers and money managers). Of course, the CFTC cannot effectively require a firm in Tokyo or London to meet U.S. requirements, at least as long as the firm keeps its business abroad. Here, then, is a challenge for linkages between ex-

changes in different nations: How to assure investors that their interests are equally protected at each location.

While parity of investor protection might be achieved through international treaties in which the governments agree to common requirements, this is a long and difficult road. Instead, the upcoming linkages will rely mainly on private agreements between the exchanges in which these matters are addressed and, to a degree, informal liaison between the CFTC and its counterparts in the other countries involved. While there may still be some room for confusion, the system will probably be as secure as any international commerce.

Most, if not all linkages, will utilize guarantee systems through the clearing organizations of the exchanges that should protect investors against default under all but the most extreme circumstances. Arbitration programs will also be available in most cases to resolve customer disputes. And, of course,

like the financial futures contract, the FRA is a good way for banks to increase off-balance sheet earnings. "It's a great way for banks to economize on the cash," said Jacques Baudou of Société Générale in Paris.

Hambros is already offering the FRA as a hedging device to corporate treasurers. "A futures contract is slightly inflexible as far as our

customers are concerned," said Ken Williams, chief trader at Hambros. "For a lot of our smaller customers who do transactions of between \$3 million and \$5 million, it's not worth paying the margin every day." Other banks say they have not been approached by any of their corporate clients yet but expect to be able to offer the hedging device as well.

**Ebb and Flow of World Oil Market**

(Continued From Page 9)  
heating oil prices are the biggest headache for the industry today, with gasoline running a close second," Mr. Errera noted. "Crude oil prices are actually less important because they are still controlled to a large extent by OPEC and the big companies."

While the MRC's heating oil and gasoline futures prices are based on delivery in New York harbor and crude oil in Cushing, Oklahoma, it does not affect most hedgers because they do not buy or sell futures with the intention of taking actual delivery. Rather, they merely

use the futures as insurance against adverse prices on the fuel they have bought or contracted to sell.

But there is a growing number of companies in the oil distribution business who are using the MRC's energy futures as "paper tank farms." Instead of actually buying the physical oil, they buy the futures. And instead of delivering fuel to their customers, they deliver the contracts.

The initial cost, or cash margin, of a futures contract is roughly 10 percent of the value of the fuel. But this margin must be maintained as long as the contract is held. However, these contracts can be closed out at any time before they expire. Buyers do this by selling; those who sold short-cover close out their position by buying.

One advantage of futures to dealers is that they can save storage and transport costs, while being protected against adverse price moves.

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## Forecasting the Boom in Futures Rate Agreements

By Sherry Buchanan

**LONDON** — Since mid-July, the new market in futures rate agreements (FRAs) — the latest in interest-rate hedging devices — has been experiencing a mini-boom. But it is still too early to tell if banks' increased participation in the market will last or will fizzle out after the novelty wears off.

The FRA is in its infancy. Citicorp International Bank Ltd., the merchant bank of Citibank, London, started using the interest-rate hedging device late last year. But it was only in June that Tradition, the Lausanne-based money broker, introduced its own version and marketed it to a large number of banks. FRAs are the latest alternative to financial futures, interest-rate

swaps and options. Active deal makers now include the U.K. merchant banks, Hambros, Barclays, Citicorp in London, Banque Nationale de Paris and Société Générale in Paris as well as some Luxembourg and Canadian banks.

The FRA does not trade on an official market like the Chicago commodities exchange or Liffe. It is a private agreement between the London money brokers, acting as the match-makers between Bank A, which wants to hedge against a rise in interest rates, and Bank B, which wants to hedge against a decrease in interest rates. The rate taken for comparison is the London interbank offered rate (Libor).

The FRA offers several advantages that its cousin, the financial

futures contract does not have. For one, the FRA does not have any margin calls. The FRA does not have any specific delivery dates or

"With the FRA you have 360 delivery days a year," said a trader with one of the London banks. "You only have four delivery days a year with a financial futures contract."

In addition there is no capital risk. After the recent problems experienced by Continental Illinois bankers, it is once again wary of taking too great a risk with each other. On the delivery date of an FRA, the banks party to the agreement only exchange the interest-rate differential, not the amount of the deposit.

Like the financial futures contract, the FRA is a good way for banks to increase off-balance sheet earnings. "It's a great way for banks to economize on the cash," said Jacques Baudou of Société Générale in Paris.

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## BUSINESS ROUNDUP

**Sports Car Body Contract for GM Helps Pininfarina to Bounce Back**By John Tagliabue  
New York Times Service

TURIN — Pininfarina, the Italian auto design company, has taken two flags these days. On the eve of its big new design center just outside this Piedmonte smokestack city, the America's last and stripes flutter alongside Italy's red, white and green.

But for Pininfarina, which is to earn what Gucci is to shoes, the display is an economic rather than a political statement.

One year ago, the company signed a five-year, \$600-million contract with General Motors, the first U.S. automaker, to deliver 40,000 custom-designed auto bodies to GM's Cadillac division. And the agreement seems to have helped it bounce back from adversity.

Just three years ago, Pininfarina was shaken by the recession. The

company's factory outside Turin was shot by strikes, and a major contract with Fiat, its largest customer, fell victim to the austerity Italy's largest automaker imposed to get its own house in order.

Today, though a final verdict is pending, all that appears to be radically altered for the better, thanks in part to the GM agreement.

Last year, Pininfarina emerged from losses with a \$1.1-million profit, and started a two-year, \$15-million modernization program to tool up for GM production.

Under the GM arrangement,

Pininfarina will design and build a convertible body for a Cadillac sports car, to be called the Callista. GM hopes the new car will garner a share of the lucrative sports car market in the United States.

The General Motors accord was extremely important," Sergio Pininfarina, the son of the company's founder and its present chairman, said recently. "First, psychologically: For the first time the world's biggest automaker grasped that paid to engage a company like ours in a specialized project. If the accord succeeds, it opens new paths for Pininfarina.

Secondly, the economic side: It permits Pininfarina to enlarge itself and to modernize, in a qualitative more than a quantitative sense."

For some, Pininfarina's contract with GM, following a similar accord between Chrysler and Maserati, the sports car maker, was clearly a victory for Italy's design industry, which by some estimates earns the Italian economy as much as \$10 billion yearly in export revenues.

But more important, some analysts feel, the company's recovery from bitter labor problems and declining profitability is emblematic of the way many of the family-owned companies that form Italy's economic backbone are prospering by seeking out market niches and supplying specialized services to corporate customers that could not perform them as cheaply themselves.

The critical move in the company's development was the decision in 1981 to begin producing small

batches of custom-built cars for large automakers who wanted to sell a prestigious sports car, but whose high-volume assembly lines were unable to produce them profitably.

Today, Pininfarina's single assembly line, where workers still use hand tools to smooth welds and polish coats of enamel, turns out about 120 cars and bodies daily for customers like Ferrari, Fiat and Lancia.

That number will rise to about 300, according to Andrea Pininfarina, Sergio's 27-year-old son and project manager for the GM accord, when a new robotized assembly line and total immersion paint shop go on stream next year.

You have new materials, and new expectations, like 10-year warranties against corrosion," he said.

About 1,400 of the company's 2,400 employees are now involved in producing bodies and cars. But though the industrial division, as it is called, generates \$72 million of revenue yearly, the company realizes that design, with revenues of about \$5.5 million, remains the heart of the operation.

Sergio Pininfarina, who turns 58 years old this month, acknowledges that it is the company's creativity, quality and exclusivity that attract corporate customers like General Motors. "The company will remain as it is," he said. "We do not want to change the airline's routes would be safeguarded."

In two years, Lord King cut the payroll from 58,000 to 36,000, reversed losses of £544.8 million (then nearly \$1 billion) and achieved an operating profit of \$250 million (then \$365 million) in the fiscal year that ended March 31.

The government intends to sell BA to private enterprise next year.

The aviation authority is recommending that BA's operations from London's airport at Gatwick, and European flights from regional airports in the rest of Britain, should be transferred to independent operators.

Heinz Reports Rise in Net

By the Associated Press

PITTSBURGH — H.J. Heinz Co. said Monday that despite the strong dollar's adverse effect on overseas earnings, its profit rose 17.2 percent in the first quarter of its fiscal year.

They said it will carry a suggested retail price of \$3,195.

Apple said it is also cutting the price of its 128K Macintosh to \$2,195 and a 512K memory expansion kit will be available for \$995.

The 512K increases the capacity of Macintosh, Apple's project management tool, to be released next month, enabling users to work up to 2,000 tasks per project.

"Should a user need to develop a project with only 200 tasks, the Macintosh 128K system would be the right choice," it said.

With its Macintosh program, users can now store up to 80 pages of text.

**BA Takes Case to Public Over Routes**

The Associated Press

LONDON — British Airways PLC went to the public Monday in its dispute with the government over plans to hand 30 of its major profitable routes to private operators.

The state-owned airline bought double-page spreads in the national press Monday to argue that the proposed handovers would do "nothing to stimulate a better service since there's no extra competition."

The same phenomenon has been observed elsewhere in Europe and with particular force, in the United States. But in France, where a meal without wine has historically been viewed as uncivilized, it carries additional cultural overtones.

"We don't drink every day the way we used to because our way of life is completely different," said Henry de Monfreid, who follows the beverage industry for Tuffier Ravier, one of Paris' biggest stockbrokers, and who himself owns a vineyard.

"If people want to drink wine, instead of drinking a bottle of table wine each day at lunch between two or three people, they'll more often opt for a more expensive bottle of wine two or three times a week."

Over the last five years, the soft alcohol movement, supported in recent months by a government tele-

One inconsistency stands out: At the same time that demand is falling for table wine and spirits, the appeal of the mixed drink has increased sales for grain spirits like gin and vodka.

According to Denis Berthiau, communications director of Pernod Ricard, France's leading beverage producer and distributor of Cointreau, the only country in Europe where whisky sales are increasing.

The mode is toward the long drink," said Gérard Lamy, a Paris-based beverage analyst with Union des Assurances de Paris, referring to the American practice of mixing alcohol with fruit juices.

The company that best illustrates the change in French drinking habits is Pernod Ricard, producer of Brut de Pomme. Although

**Alcohol-Free Movement Is Big Business in France**

New York Times Service

PARIS — One of the newcomers to the French café scene has nothing to do with champagne, beer or mineral water. It is Brut de Pomme, a cider aimed at the soft drinker, a cider aimed at the soft drinker, and it is part of a change in drinking habits that is causing far-reaching changes in the French beverage industry.

Leading the new wave is the soft alcohol movement, a shift by people concerned with health and diet away from alcoholic beverages to such things as alcohol-free beers, American soft drinks, iced teas, mineral waters, even an anti-based drink called Pacific.

The same phenomenon has been observed elsewhere in Europe and with particular force, in the United States. But in France, where a meal without wine has historically been viewed as uncivilized, it carries additional cultural overtones.

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One inconsistency stands out: At the same time that demand is falling for table wine and spirits, the appeal of the mixed drink has increased sales for grain spirits like gin and vodka.

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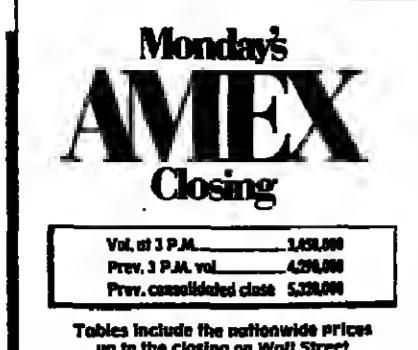
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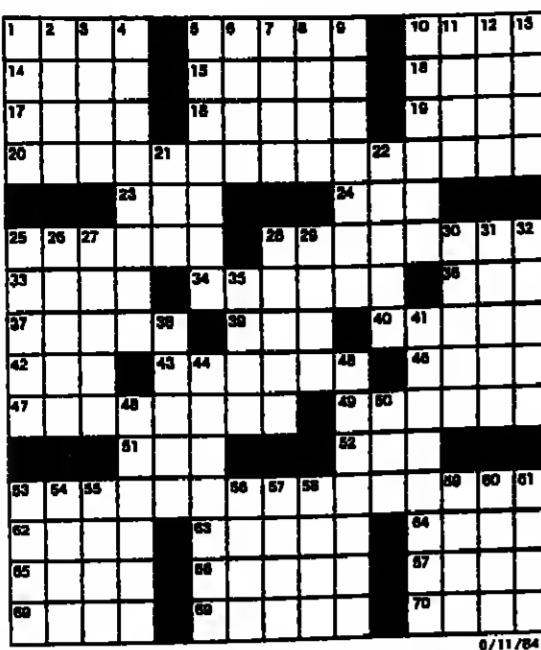
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**ACROSS**

- Painter of "The Mock Turtle's Story"
- 5 Rigid
- 10 Scheme
- 14 Esau's father-in-law: Gen.
- 15 Teacher
- 16 Gover
- 17 Set in France
- 18 White poplar
- 19 Zest
- 20 Liquid assets
- 21 Corded fabric
- 22 One of the Stooges
- 23 Calm
- 24 Word game
- 25 Duffers' needs
- 26 Helen Hunt Jackson novel
- 27 Tangled mass
- 28 Muse of lyric poetry
- 29 Grove
- 30 Gas of Knox Co., Mo.
- 31 Aspir.
- 32 Aspects
- 33 Sikorsky
- 34 Main part
- 35 Small-grained timbre
- 36 Kind of can or pan
- 1 Painter of "The Mock Turtle's Story"
- 2 Big Board
- 3 Discount investments
- 4 Of a lyric poem
- 5 Capital of Saitama
- 6 Disney light
- 7 Adams or Note
- 8 "Bolero" composer
- 9 Facts
- 10 Summers, in Nantes
- 11 Winter vehicles
- 12 Pearl Buck heroine
- 13 Mind the baby
- 14 Urge
- 15 Roman wraps
- 16 Cut of beef
- 17 Weird
- 18 Safra
- 19 Negotiable paper
- 20 Spanish friend
- 21 Deneuve
- 22 Gaze
- 23 Island near Ireland
- 24 Of the eye
- 25 Investment gains
- 26 Estates, British style
- 27 Lower-back aesthetics
- 28 Market investments
- 29 Wane
- 30 District
- 31 Blue-pencil
- 32 Oriental food
- 33 Russian river
- 34 Cover a road surface
- 35 Was indebted
- 36 Undressed, as a drink
- 37 Show strong fondness for
- 38 61 Pace
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**DOWN**

- Judge
- Singing voice
- Savings & investments
- Rate of return on investments
- Post-office worker
- Brass instrument
- Roman road
- Word before tore
- Citizen
- Like better
- Legislator's special expense account
- Big Board
- Discount investments
- Capital of Saitama
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## DENNIS THE MENACE



"I DON'T KNOW ANY MAGIC WORDS, DENNIS! JUST OPEN THE DOOR!"

## JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

ADURF

WANTY

RUHLOY

VAHLIS

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here:  ME

(Answers tomorrow)

Yesterday's Jumble: PAUSE FRAME EXTEH BOTHER

Answer: What was the trouble with the restaurant? They opened it, but it had no "ATMOSPHERE."

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## SPORTS

## McEnroe Overwhelms Lendl For U.S. Tennis Championship

By Jane Gross  
*New York Times Service*

**NEW YORK** — John McEnroe used his battery of serves and volleys, alternately overpowering and teasing, and dominated Ivan Lendl to regain the U.S. Open tennis title.

McEnroe's 6-3, 6-4, 6-1 victory Sunday was a testimony to his artistry and will as it came less than 15 hours after a bruising five-set semi-final victory over Jimmy Connors, a match that lasted 3 hours 45 minutes and ended at 1:13 p.m. Saturday.

"I feel unbelievable and terrible at the same time," McEnroe said after winning his second consecutive Grand Slam tournament, running his match record for the year to 66-2 and collecting the \$160,000 first prize. "My body said, 'That's enough,' but the fact that I was tired made me concentrate better. The more tired I felt, the better I thought I hit the ball. It was a mental thing — push, push — and I didn't get angry at anything because I needed every ounce of energy I had."

Conservation of energy was a lesson McEnroe had learned at the French Open, when the temperamental explosions that have marked his career turned a two-set lead into a five-set loss to Lendl, giving the Czechoslovak his first victory in a Slam event. After that defeat and another stormy display at a Wimbledon preparatory tournament, McEnroe has displayed a sort of serenity.

"I learned certain things about wasting energy," said the New Yorker who had gained the Wimbledon title with good manners and dazzling play, including a final-round trouncing of Connors that McEnroe characterized as his finest match ever. "It hit me the hardest after the French, that I had to stop doing that. The important thing is to learn a lesson everyday you lose. Life is a learning process and you have to try to learn what's best for you. Let me tell you, life is not fun when you're banging your head against a brick wall all the time."

McEnroe will never be a gentle soul on the court, but his outbursts Sunday were leavened with humor. Early in the second set, he loudly urged a baldish baseline judge to "grow some hair." Later in the set, when he failed to convert two break points, he responded in a questionably by tying song-eagle on the court while laughter rolled through the National Tennis Center stadium.

In the postmatch news conference, he broke up a room full of several hundred people with a report that had been the official score at Friday's baseball game and had awarded the Chicago Cub Keith Moreland a single that broke up Dwight Gooden's no-hitter for the New York Mets, asked McEnroe to explain his startling stamina.

"First you explain to me how you gave that guy a hit the other night," he shot back.

Just as Lendl knows he must show more emotion, as he did in beating Cash, he also knows he must vary his strategy against McEnroe by coming to the net more often. But playing styles are linked to personality styles, and they are tough to change.

"He was coming in a lot early in the match," McEnroe said. "He surprised me. But after he got behind, he gave up on that strategy and just looked kind of discouraged."

Sometimes an athlete's progress is so slow that you wonder if it exists at all. Was Lendl's fire against Cash a mirage? Was that discouraged look Sunday afternoon the real Lendl returning?

If the jury is still out on Lendl's gumption and his ability to incorporate new tactics into a stiff-necked personality, then the first hints of a verdict may be arriving on McEnroe.

It is wishful thinking, maybe it is just the 89th New Year's resolution that a spoiled child, but it seems that McEnroe is growing up. A little.

"I think I've gotten better this year," he said of his behavior. "As part of the reason is that, after losing the French, I had to stay away from controversy. It was taking too much away from my game. I said to myself, 'I just gotta stop doing it.'"

In the first dozen games this day, when he was frazzled and short-fused from Saturday's effort against Jimmy Connors, McEnroe could have blown his cork and blown a rite, too. Instead, he was never close in losing it.

The Mets scored all of their runs in the sixth off reliever George Frazier and Warren Brusstar. Scott Sanderson left after five innings with back problems.

Sanderson blanked the Mets on four hits over the first five innnings, but Mookie Wilson opened the sixth with a triple off Frazier (5-3) and scored when Keith Hernandez doubled to right center. Darryl Strawberry struck out but reached first when the third strike bounced past catcher Jodie Davis for a wild pitch.

George Foster followed with a run-scoring single, and Brooks greeted Brusstar with his 15th homer of the season, a three-run shot.

Rangers 7, Twins 3

In Minneapolis, the Twins fell a game back when Donnie Scott hit a three-run home and Charlie Hough continued his pitching mas-

McEnroe said, as if totally unimpressed with himself. "Once it caught the net, I knew it was somewhere in that area, so I just adjusted from there."

"No matter what left-hander you find in the world," said Lendl, who has now lost three straight finals here, the first two to Connors, "none of them is going to serve and volley like McEnroe."

At the start, McEnroe lagged himself around the court as if speakably weary. In his first service game, he scored four times on blinding serves as if desperate to play the points in the quickest way possible. Lendl, for his part, seemed perky, leaping from his chair at a changeover a full minute before the delay mandated by the television commercials.

McEnroe gained the one break he needed in the sixth game of the set by angling a backhand volley, and he served out the next game at love, finishing with an ace to the forehand side that was so fast it was nearly invisible from a court-side seat. On his next service game, gamely for the set, he again held at love with three thunderbolt serves.

In the second set, McEnroe's one break came in the seventh game, but it was in the ninth that he most demonstrated his genius. He served to a 30-0 lead and Lendl climbed back on one of McEnroe's six double faults and his own backhand cross-court winner. Then, rather than blasting the ball at Lendl, McEnroe offered a change-of-pace serve that caught him unaware. The game point was an ace, one of eight for McEnroe in the match, and it was even slower than the serve before it.

McEnroe raced to a 4-0 lead in the third set with two breaks, eager to "get in the driver's seat so I didn't do what I did in Paris." Lendl continued to play avidly, unlike in his final against Connors last year when he lost the advantage with a double fault at 5-4 in the third set and never won another game in the four-set match.

By winning the French Open, Lendl deprived McEnroe of a chance for a 1984 Grand Slam, with the last of the four major tournaments to be played in Australia in December. Martina Navratilova was awarded a revisionist Grand Slam for four titles spanning two calendar years, but McEnroe is a traditionalist on such matters.

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**ART BUCHWALD****Of Church and State**

**WASHINGTON** — The issue of the separation of church and state has reared its head in the 1984 presidential campaign. It may not be good for the state but it's not bad for television preachers.

My favorite, the Right Reverend Rolls-Royce, devoted his entire hour to this subject the other morning. He said:

"I'm going to speak to you today about God, sin and the American election. The secular humanists would have you believe that religion must not play a part in government — that we should not mix religion when it comes to reflecting the greatest president on this good green globe."

"Well, my friends, the Bible has something to say about this. What does the Bible say about state and religion? You can find out by spending \$50 for this velvet-bound illustrated edition, which we have printed at cost, to guide you in making what could be the greatest decision of your life. For those of you who can't afford this beautiful gold-trimmed book, we are offering a paperback edition for \$15. So, no one can say that he or she wasn't informed on the issues."

"Do religion and government mix? Well, I'm going to tell you a story. A man came to me last month and said he didn't think he was better off today than he was four years ago. He had lost his job, his benefits were running out and he could hardly feed his family on the food stamps that he was receiving. He told me because of his precarious situation he was confused and didn't know whom to vote for in November."

"I told him when he goes into the voting booth, he must not think of his own petty problems. He must decide which party's platform supports God and which party's platform supports Satan. I gave him copies of both parties' platforms. Do you know what this man did after reading them? He gave me his last \$5 for a Reagan bumper sticker."

"The aggressive humanists would have us believe that the fa-



Buchwald

thers of the Constitution deliberately set out to keep state and religion separate. Well, I'm holding a copy of the Constitution in my hand, the most beautiful political document ever devised by man. This document can be yours free if you send \$10 for postage costs and handling. It is printed on parchment with the First Amendment in bold red type. Whenever a humanist cites the Supreme Court on keeping religion out of the government you can show him this document to prove the Supreme Court is right.

Hatch is a canalier, like his father and grandfather before him, and one of 35 lock operators along this 340-mile (550-kilometer) stretch of fluid highway.

To Hatch, the canal that Governor De Witt Clinton opened in 1825 is a "grand old lady." It is a place where a youngster can squat on its bank, fishing pole in hand, where molasses barges chug toward Toronto, and where tourists travel on latter-day packet boats. It is also the place where electricity is made, where the vanishing fraternity of lock keepers polish brass electrical switches made 70 years ago and where the state's first urban cultural park is found.

And now, the canal that Clinton opened — "a bond of union between the Atlantic and Western states, it may prevent the dismemberment of the American empire," he said at the time — has become a place for change once again.

Although commercial activity

"Don't just sit there and let the secular humanists turn this country into a Communist state. Go to your phones now and call this toll-free number. If God didn't want you to have this flag he wouldn't have let me accept your American Express, MasterCard or Visa cards."

"I want to conclude this broadcast by telling you about the wonderful prayer breakfast I attended in Dallas where I heard the inspirational words of our great president. After the breakfast I went up to our Commander in Chief on Earth to bless him. I would like to share that moving moment with you. My wife Lulabelle took an Islamic photograph of the president shaking my hand. If you will send \$20 we will mail you a framed copy of that picture, which you can hang in your living room to show your friends. It is something you will cherish for the rest of your life. This is a collector's item and the only picture in existence of Ronald Reagan and myself. The offer is limited to the first 50,000 people who send in their checks. After that we will burn the negative and no one will be able to reproduce this miracle photograph again."

operator Dale Hatch

is special for a variety of reasons.



The Erie II, carrying tourists, steams west on the Erie Canal in upstate New York.

By Edward A. Gargan  
*New York Times Service*

**PITTSFORD**, New York — Dale Hatch, the chief lock operator, twisted two gleaming brass levers, and three million gallons of water began rushing into Lock 32, raising two tugboats gently to the next level of the Erie Canal.

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on the canal system continues to decline, a \$50-million, five-year rehabilitation of the waterway — such as upgrading locks dredging and reconstructing some banks — has been started by the state.

And even as pleasure boaters meander along the waterway, state and private developers are in the mists of transforming its sleepy waters, at an ultimate cost of \$2.5 billion, into a pin cushion of small hydroelectric projects that will produce 200 megawatts of electricity by the end of the century. Though it will account for but a fraction of the total state energy needs, these small projects will ultimately displace more than two million barrels of oil a year, state officials say.

Today, the Erie Canal — together with the Champlain, the Oswego and the Cayuga-Seneca canals — bind New York together with 527 miles of waterways under the anachronistically named New York State Barge Canal. It is not the ditch of Clinton's day, although the canal that cuts from Albany to Buffalo parallels the route of the old Erie.

Last year, while there were 25 percent fewer barges carrying jet fuel, asphalt and molasses along the canals than there were in 1982, the number of pleasure craft going through the 57 locks increased nearly 14 percent, reflecting a continuing shift in the use of the canals.

But to Hatch, the Erie Canal is

special for a variety of reasons.

"The canal is for everybody," said Hatch. "The canal is for navigation, but it's not just for navigation. It is for water management. It's for flood control. It's for irrigation and recreation. This system was built to last.

These locks were built to last a long time. There was no such thing as built-in obsolescence."

Hatch's kingdom is Lock 32 — a 32-by-45-foot lock (100-by-13 meter), a lock master's house, two white frame lock houses and the electrical and mechanical machinery that opens and closes 40-ton lock gates. It all was built in 1912 but looks as if it was installed yesterday.

A few miles away, at Lock C-1, the first of 12 locks on the Champlain Canal, the waterway leading to Lake Champlain and Canada, the New York Power Authority is considering building a small hydroelectric project.

"There're 18 hydro sites along

the canal operating right now," Parker D. Matassa, program director for the State Energy Research and Development Authority, said. "Our overall goal is to have 200 megawatts on line by the year 2000. We estimate we can put out a billion kilowatts of electricity per year."

"With the fall off in commercial traffic and general austerity, this was an easy place to short-change," said James L. LaRocca, state transportation commissioner.

"This thing," he said, gesturing toward the channel of brown water that stretched before him, "is where the very wealthy and the not so wealthy come. There's a spot for everybody. There's nothing mechanical that big, this old, that still operates."

A great blue heron, its wings flapping lazily, glided in front of the boat.

"There's a really old story that heroes are old river-boat pilots," the captain said. "They fly off and land in shallow water to tell pilots not to steer there."

agency will spend \$13.5 million this year to operate the locks, dredge sections that sit in and maintain the banks of the waterways.

"Deferred maintenance occurred on the canal, we're playing catch-up," he said.

When it was built, the Erie Canal charged tolls. By 1882, it had earned \$134.9 million in tolls, a sum that paid off the original bonds to build the canal and leave a profit of \$42 million. That year, voters amended the State Constitution to eliminate the tolls.

Among the more fervent canallers is Peter Wiles, captain of the Erie II, which every summer takes passengers the length of the canal.

"You don't care where you're going," he said, sipping coffee from a mug in the pilot house as the Erie II pattered westward, three days out of Albany.

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**PEOPLE****Alf Landon Reaches 97**

Alf Landon, the Republican Party patriarch, celebrated his 97th birthday Sunday with a telephone greeting from President Ronald Reagan, who called him a "folk hero." Landon, who marked his birthday with a lawn party thrown by Kansas Republicans at his home in Topeka, Kansas, responded by saying: "In all my 97 years I don't know of a president who has occupied such a strong, stout-hearted position of leadership that he did." Landon recovered from surgery for a broken hip last year. He is probably best remembered for his defeat in the 1936 presidential race by Franklin D. Roosevelt, in which he failed even to carry his home state.

would have hindered me from going elk hunting."

Lady Norah Docker, a car salesman's daughter who married three millionaires and enlivened Britain's gossip columns in the 1930s, left only £3,650 (about \$50,355) in her will, which was published Monday. "She spent the lot," said her only child, Lance Callingham. "45 Lady Docker and her third husband, Sir Bernard Docker, an industrialist, drove in a gold-plated Daimler and threw lavish parties on their yacht. Sir Bernard died in 1978, and his wife died in a London hotel last December at 76."

Prime Minister Margaret Thatcher of Britain and her husband, Denis, have put their London home in the fashionable Chelsea district up for sale and are asking at least £250,000 (about \$317,000). A spokesman for real estate agents Keith Cardale Groves said Saturday the four-bedroom house, where the Thatchers have lived for 15 years, is "an exceptional family home that has been extremely well-maintained." He said he didn't expect any difficulty in selling the property, adding: "The identity of the former owner might help the sale."



NASTASE WEDS — Ilie Nastase, a former tennis champion, escorting Alexandra King from St. James Episcopal Church in New York City after their wedding Saturday.

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ANNOUNCEMENTS

LONDON, ENGLAND: Due principally to demand for office space in the City, rents have risen 10% over the past year.

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RENTALS

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